

ZONE 7 BOARD OF DIRECTORS FINANCE COMMITTEE

DATE: Wednesday, May 28, 2025
TIME: 3:00 p.m.
LOCATION: Zone 7 Administration Building
100 North Canyons Parkway, Livermore

Director Benson
Director Brown
Director Narum

AGENDA

1. Call Meeting to Order
2. Public Comment on Items Not on Agenda
3. Investment Report as of March 31, 2025
4. Proposed Amended Reserve Policy
5. FY 2024-25 Unaudited Third Quarter Revenue and Expenditure Report
6. Proposed Investment Policy
7. Adjournment



100 North Canyons Parkway
Livermore, CA 94551
(925) 454-5000

March 31, 2025

Board of Directors
Zone 7 Water Agency
100 North Canyons Parkway
Livermore, CA 94551

Subject: Investment Report as of March 31, 2025 (Unaudited)

Dear Board Members,

Pursuant to Resolution No. 24-45, dated June 11, 2024, the Board adopted the Agency investment policy. In accordance with Strategic Plan Initiative No. 24 – Continue to effectively manage financial resources for the Agency in a prudent manner and in accordance with the Investment Policy, attached is the Agency quarterly informational investment report as of March 31, 2025. Enclosed with this report is a detailed composition of investments held in Zone 7's name by securities category as of March 31, 2025. This report reflects the market value and cost of purchase of the securities.

All Agency investments in this investment management portfolio conform to the investment policy and are in accordance with California Government Code Section 53600, et. seq. Below is the Agency's investment portfolio management summary:

| Investment Type | Face Amount | Market Value | Book Value | % of Portfolio | Permitted by Agency Policy | In Compliance | Book Yield (YTM at Cost) |
|--|-----------------------|-----------------------|-----------------------|----------------|----------------------------|---------------|--------------------------|
| U.S. Treasury Bond/ Note | \$ 83,205,000 | \$ 81,507,829 | \$ 82,765,301 | 53.15% | No Limit | Yes | 3.40% |
| Corporate Bonds (Medium Term Notes) | 27,770,000 | 27,743,766 | 27,804,776 | 18.09% | 30% | Yes | 4.30% |
| Federal Agency Commercial Mortgage-Backed Security | 30,119,946 | 30,461,099 | 30,209,128 | 19.86% | No Limit | Yes | 4.79% |
| Negotiable Certificate of Deposit (CD) | 1,350,000 | 1,372,236 | 1,364,097 | 0.89% | 30% | Yes | 5.08% |
| Asset-Backed Securities | 6,860,000 | 6,910,955 | 6,877,872 | 4.51% | 20% | Yes | 4.89% |
| Money Market (1) | 5,356,724 | 5,356,724 | 5,356,724 | 3.49% | 20% | Yes | 4.23% |
| Total Investments | \$ 154,661,671 | \$ 153,352,610 | \$ 154,377,898 | 100.00% | | | 3.94% |
| US Bank | 2,974,085 | 2,974,085 | 2,974,085 | | | | |
| Total Cash & Investments | \$ 157,635,756 | \$ 156,326,695 | \$ 157,351,983 | | | | 3.94% |

(1) **Money Market:** The Money Market Book Yield (Yield to Maturity at Cost) is not part of the overall securities YTM at Cost from PFM Asset Management, it's from the U.S. Bank as custody bank.

In addition, the Agency has cash and investments pooled with the Alameda County Treasury. The County Treasurer acts as the disbursing agent for these funds for the Agency and the cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer for the County.



As of March 31, 2025, the County Treasurer held approximately \$179,963,966 (unaudited) for the Agency. The amount held by the County Treasurer is sufficient to meet all operating cash needs for the Agency within the next six months. Here is a link to the County investment reports: <https://treasurer.acgov.org/reports/>

I hereby certify that, to the best of my actual knowledge, this report includes all investments in the Agency pool investment portfolio and is in conformity with the Agency's current investment policy dated July 1, 2024.

Market value amounts are from PFM Asset Management which provides investment management services for the Agency. U.S. Bank provides the Agency custody services. Book value amounts include premiums or discounts and are adjusted at year end on the general ledger.

Sincerely,

Osborn Solitei

Osborn Solitei, Treasurer

Attachment:

Zone 7 Investment Performance Review for the Quarter Ended March 31, 2025

c: Valerie Pryor, General Manager



ZONE 7 WATER AGENCY

Investment Performance Review For the Quarter Ended March 31, 2025

Client Management Team

Monique Spyke, Managing Director
Joseph Creason, Portfolio Manager
Jeremy King, Key Account Manager

PFM Asset Management A division of U.S. Bancorp Asset Management, Inc

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Market Update

Current Market Themes



- ▶ U.S. economy is clouded by tariff and policy uncertainty
 - ▶ Labor market continues to serve as backbone
 - ▶ Goods inflation weighs on progress towards Fed's 2% inflation target
 - ▶ Fiscal policy uncertainty and volatile tariff rollouts weigh on consumer sentiment



- ▶ Fed takes a pause from easing but looks to continue cutting later this year
 - ▶ The Fed kept the federal funds target rate unchanged at 4.25% - 4.50%
 - ▶ The Fed's March "dot plot" implies another 50 bps of cuts in 2025
 - ▶ Fed Chair Powell stated the administration's "significant policy changes" relating to trade, immigration, fiscal policy, and regulation is creating "considerable uncertainty"

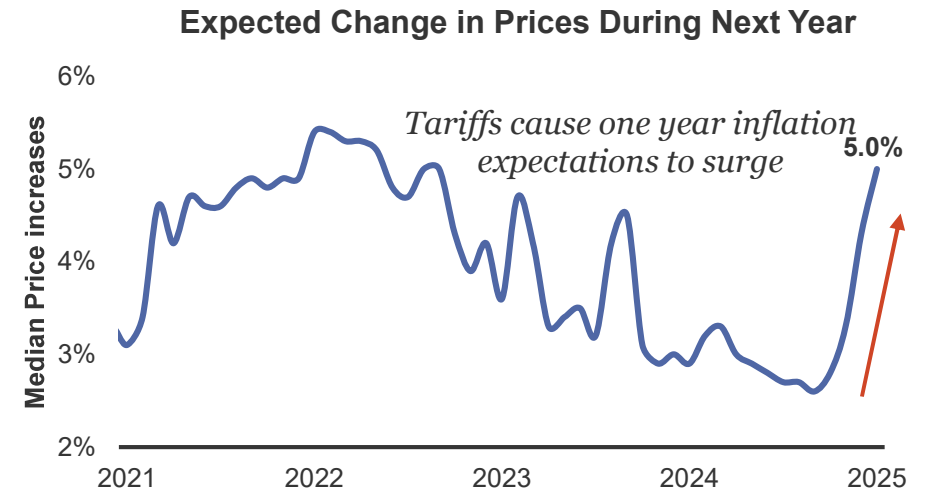
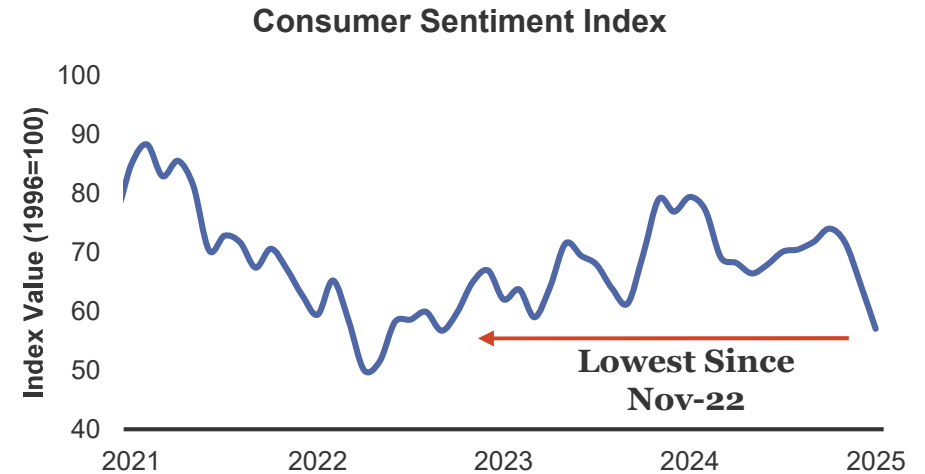
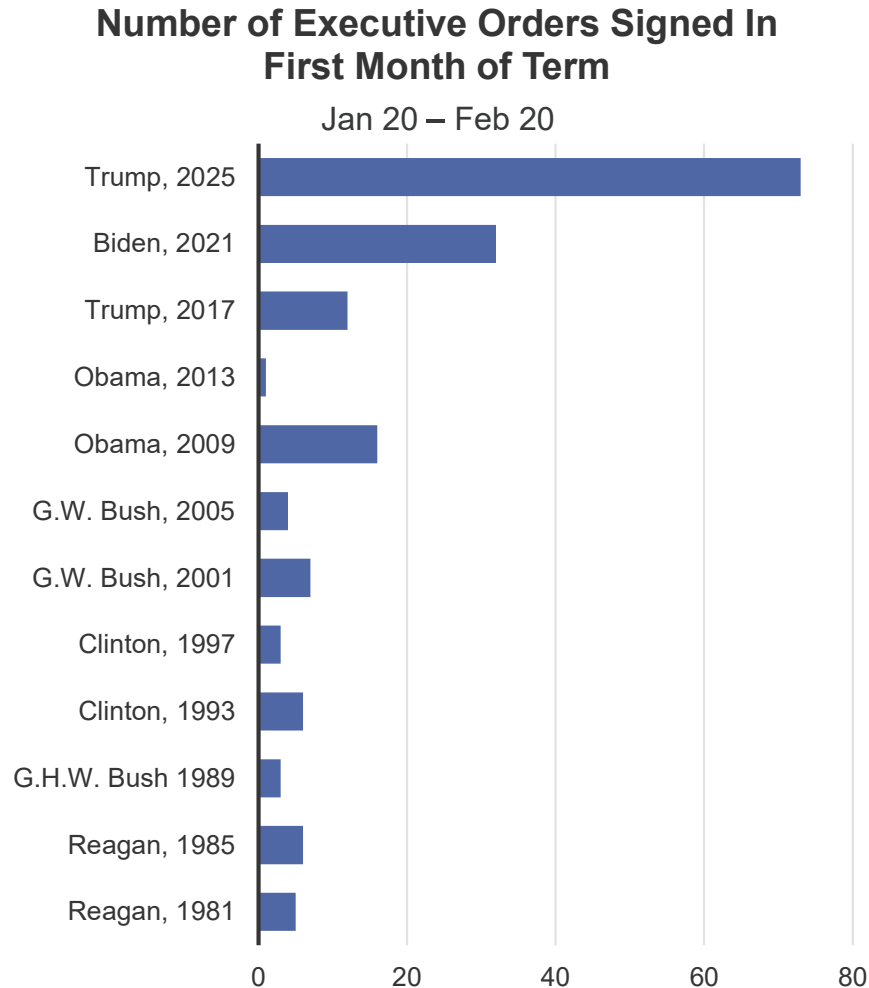


- ▶ Treasury yields fall on growing uncertainty
 - ▶ Yields on maturities between 2 years and 10 years fell 35-43 bps during the 1st quarter
 - ▶ The yield curve reinverted on the front end while the steepness of the curve between 2 years and 10 years was unchanged
 - ▶ Yield spreads widened off their historically low levels given growing economic concerns but still remain tight

Source: Details on market themes and economic indicators provided throughout the body of the presentation. Bloomberg Finance L.P., as of March 31, 2025.

Policy Changes Increase Consumer Uncertainty

Fed Chair Powell: “We understand that sentiment is quite negative at this time, and that probably has to do with ... turmoil at the beginning of an administration...”



Source: FOMC Chair Jerome Powell Press Conference, March 19, 2025. Bloomberg Finance L.P. and [Federal Register :: Executive Orders](#), as of March 2025 (left). University of Michigan Consumer, as of March 2025 (right).

Tariffs Have Broad Economic Implications

Tariff Implications



Inflation

Fed staff research¹ suggests each 10% increase in the effective tariff rate leads to a 0.8% increase in inflation



Economic Impact

Fed staff research¹ suggests each 10% increase in the effective tariff rate leads to a 1.4% decrease in GDP



Tariff Revenues

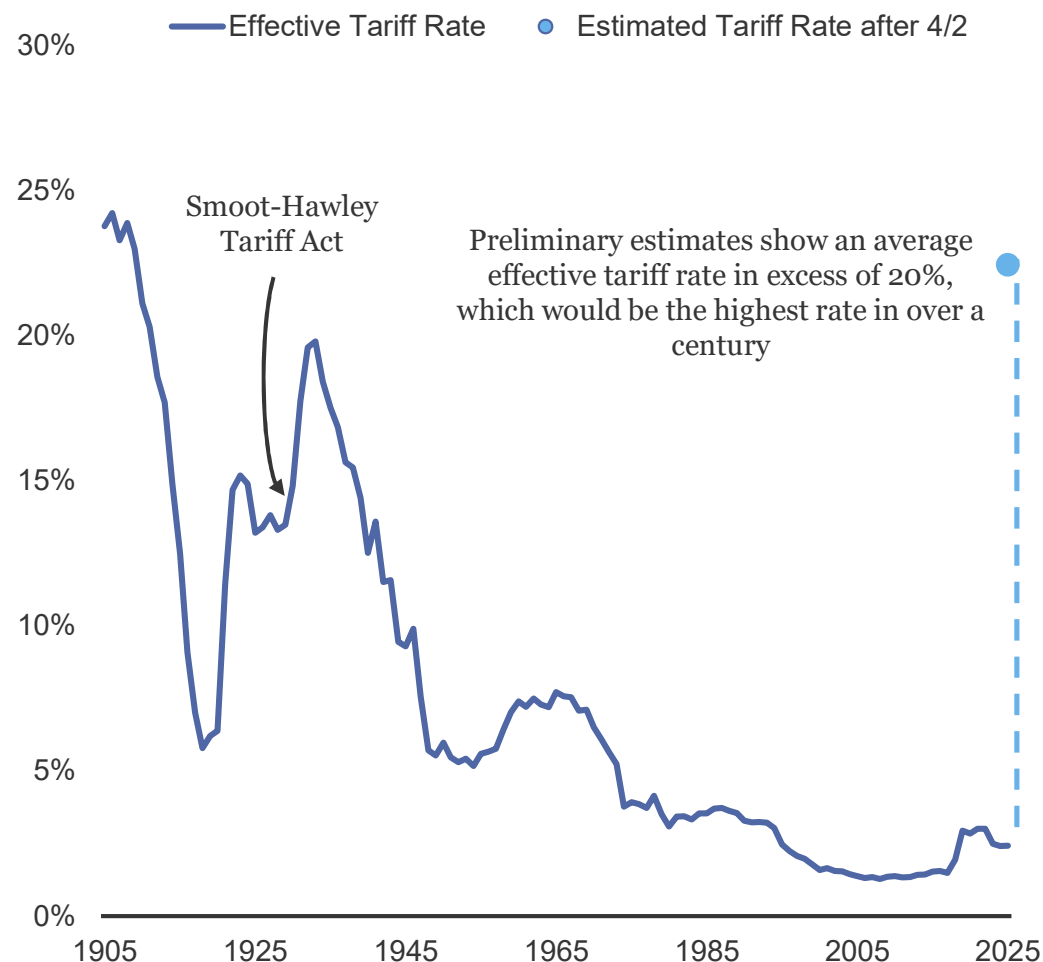
Each \$100 billion of tariffs paid by the consumer is approximately equal to a 0.4% increase in income taxes



Consumer Spending

Price increases and uncertainty could directly impact consumer confidence and spending habits

Effective Tariff Rate



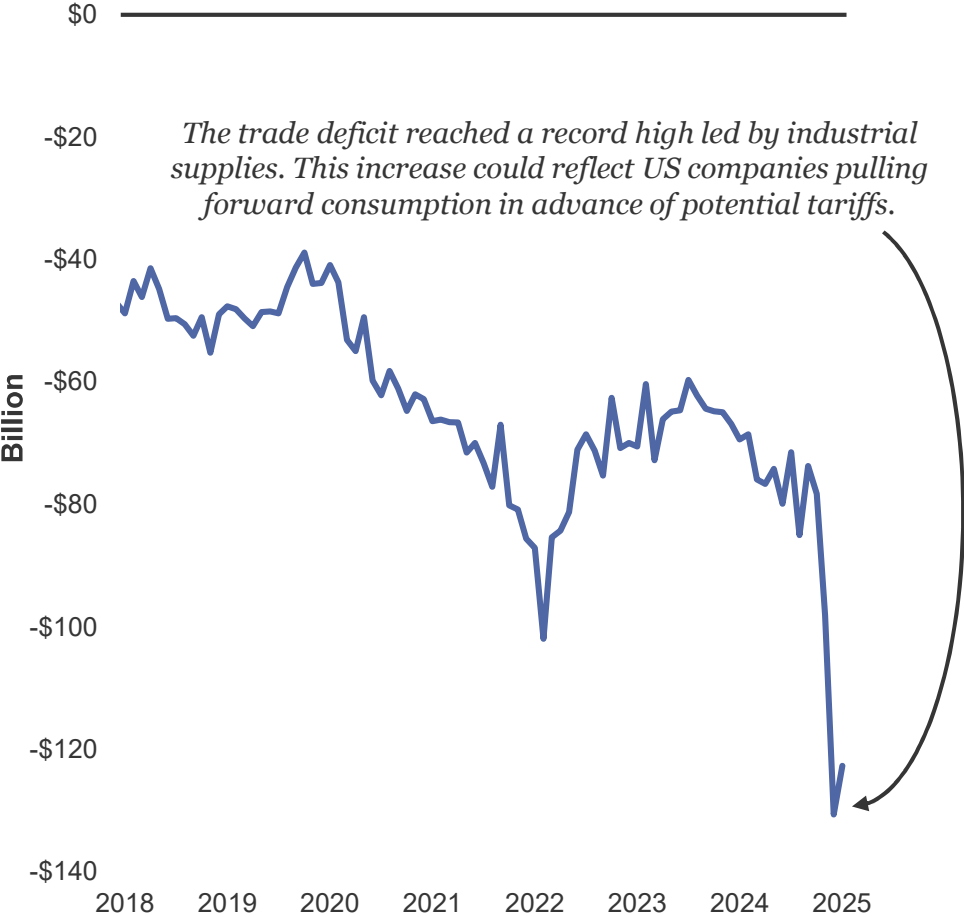
Source: PFMAM calculations, Bloomberg Finance L.P., Bureau of Economic Analysis. As of April 2025.

¹Federal Reserve: [Tealbook A, September 2018](#).

Tariffs Drive Growth Expectations Lower

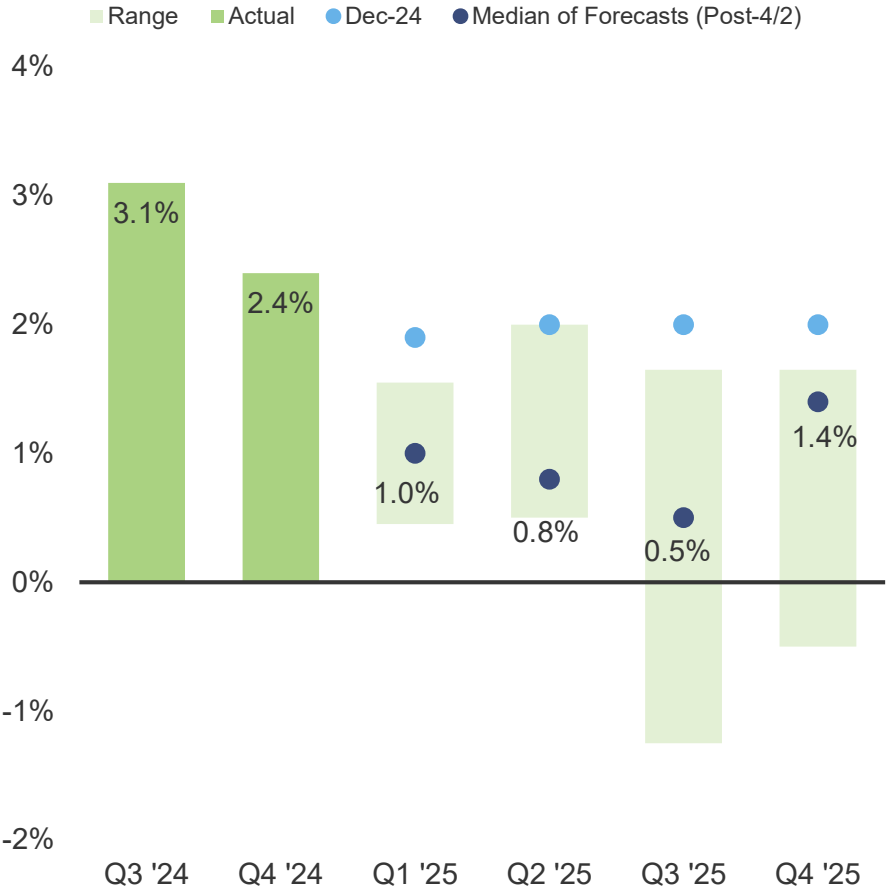
Fed Chair Powell: “But we kind of know there are going to be tariffs and they tend to bring growth down.”

U.S. Trade Balance



U.S. GDP Forecasts

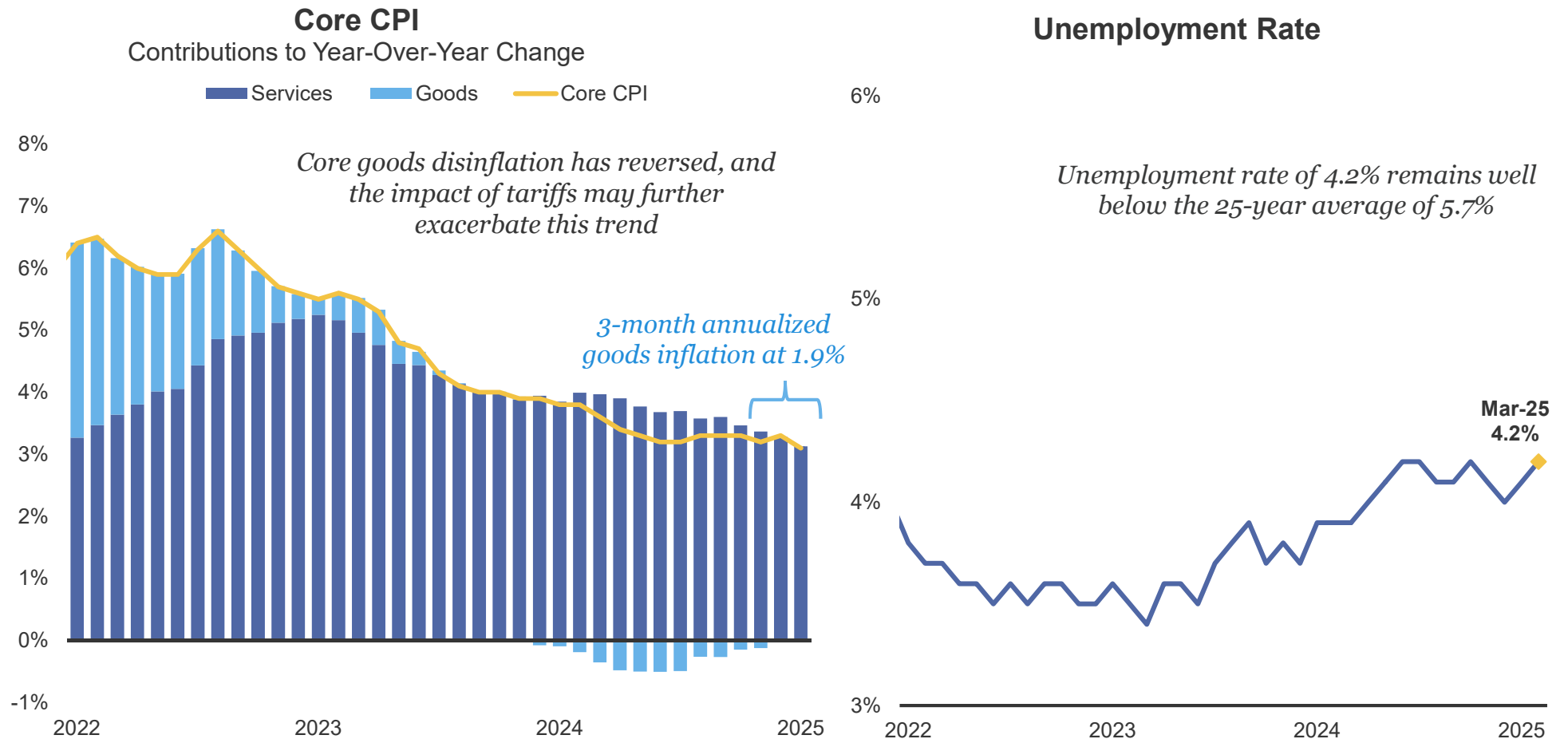
Annualized Rate



Source: FOMC Chair Jerome Powell Press Conference, March 19, 2025; Bloomberg Finance L.P. and the U.S. Census Bureau as of February 2025 (left). Bureau of Economic Analysis and Bloomberg Finance L.P., as of April 2025. Survey responses after April 2, 2025 included in median and forecast range (right).

The Fed's Dual Mandate Gets More Complicated

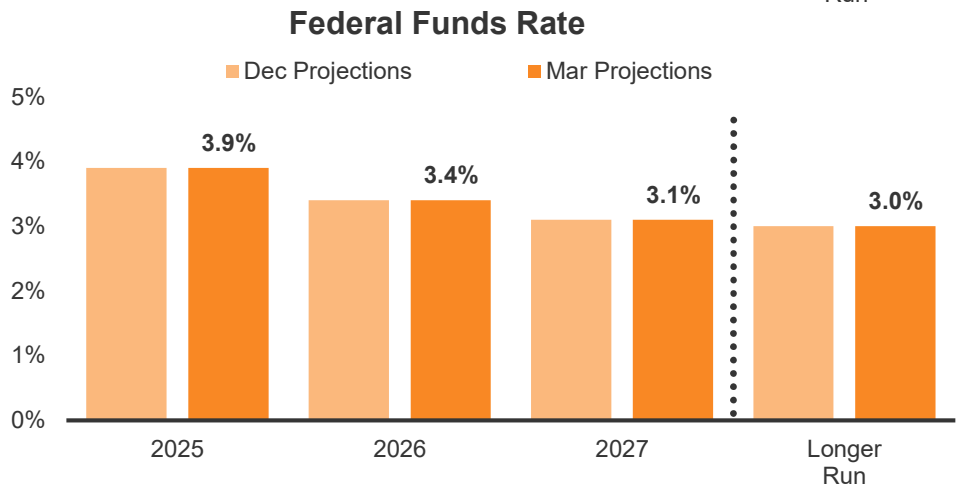
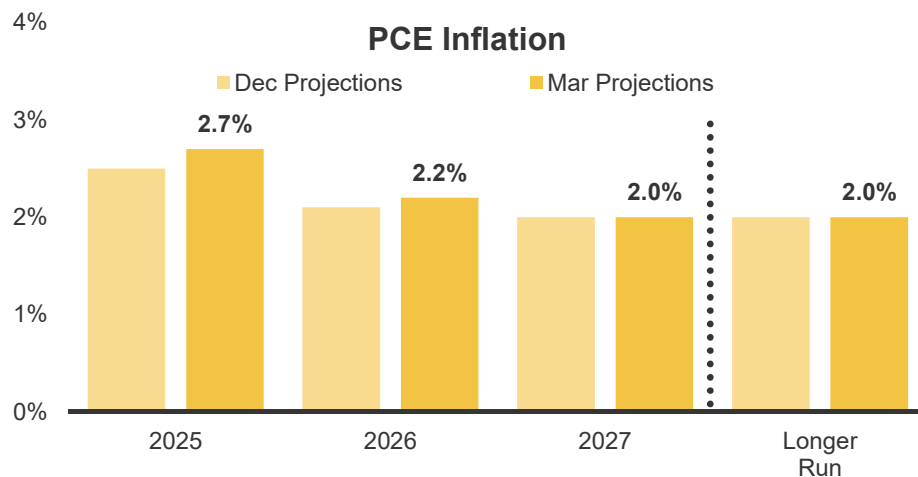
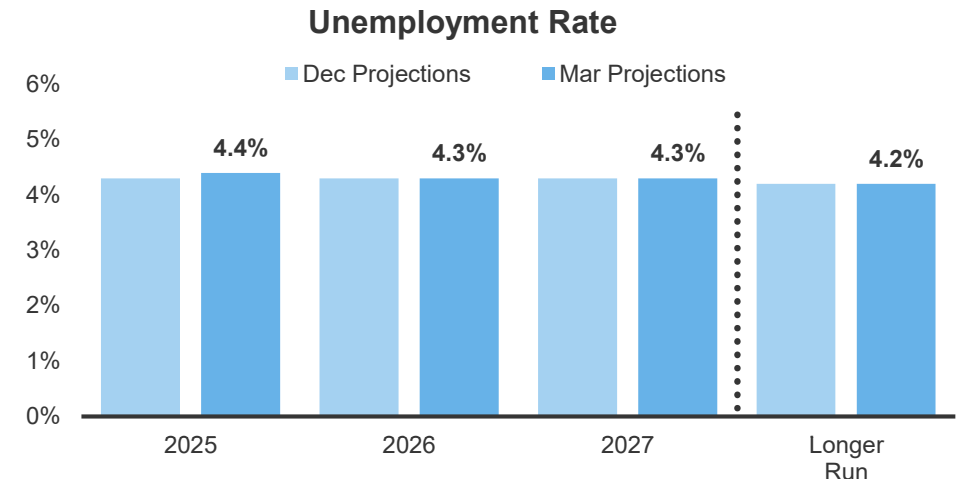
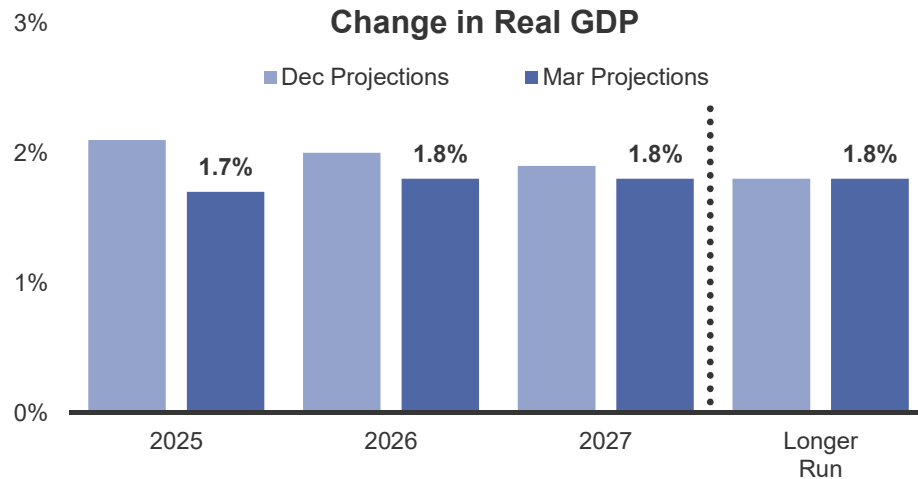
Fed Chair Powell : "...ultimately, though, it's too soon to be seeing significant effects [from tariffs] in economic data..."



Source: FOMC Chair Jerome Powell Press Conference, March 19, 2025. Bureau of Labor Statistics, and Bloomberg Finance L.P., as of February 2025 (left). Bureau of Labor Statistics, and Bloomberg Finance L.P., as of March 2025 (right). Data is seasonally adjusted. Historical average unemployment rate calculated from March 2000 – March 2025.

Fed's Updated Summary of Economic Projections

Fed Chair Powell: "... you see weaker growth but higher inflation—they kind of offset—and also, frankly, a little bit of inertia. When it comes to changing something in this highly uncertain environment, you know, I think there is a level of inertia where you just say, maybe I'll stay where I am.

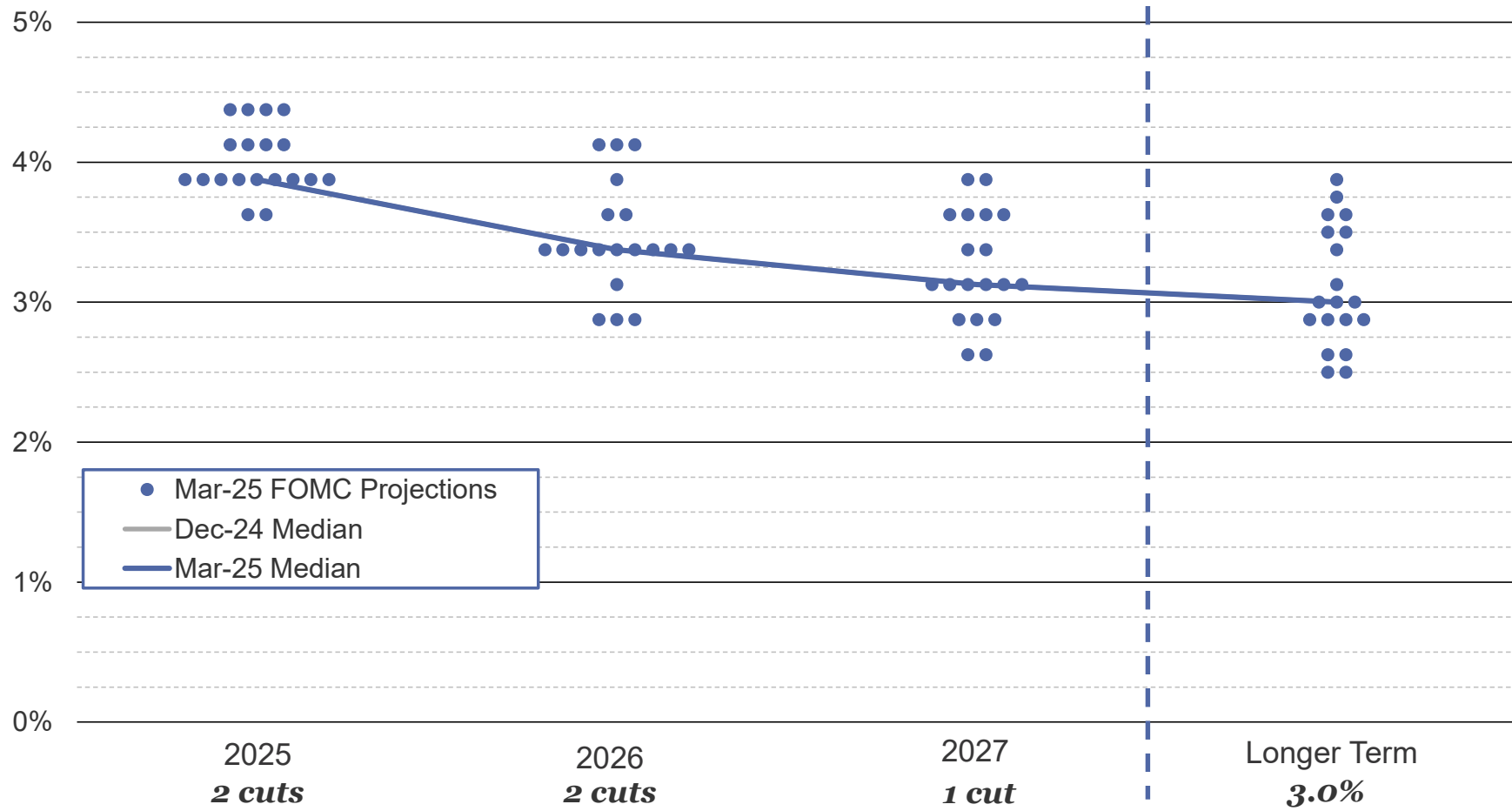


Source: FOMC Chair Jerome Powell Press Conference, March 19, 2025. Federal Reserve, latest economic projections as of March 2025.

Fed's Latest "Dot Plot" Shows No Change to Median Projection

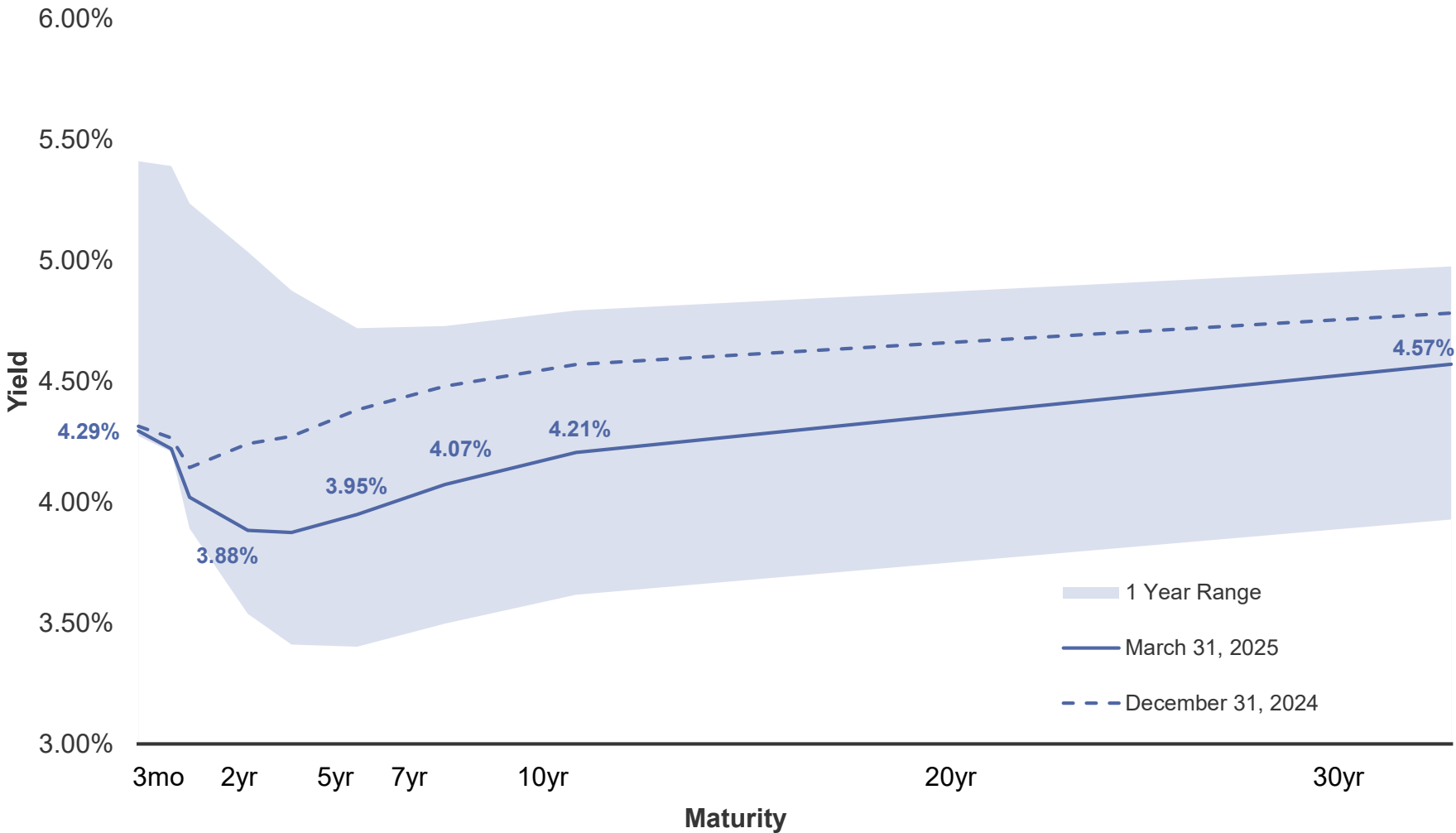
Fed Chair Powell: "What would you write down? It's really hard to know how this is going to work out. And, again, we think our policy is in a good place ... where we can move in the direction where we need to."

Fed Participants' Assessments of 'Appropriate' Monetary Policy



Source: FOMC Chair Jerome Powell Press Conference, March 19, 2025. Federal Reserve; Bloomberg Finance L.P.. Individual dots represent each Fed members' judgement of the midpoint of the appropriate target range for the federal funds rate at each year-end. As of March 2025.

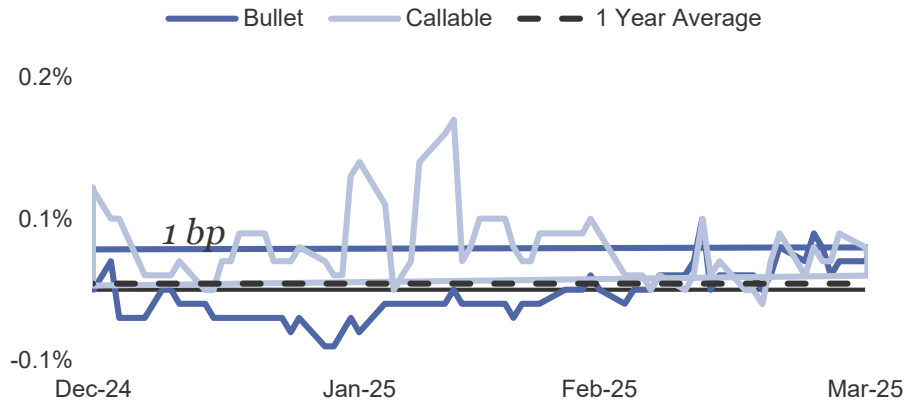
Treasury Yields Lower Across the Curve
U.S. Treasury Yield Curve



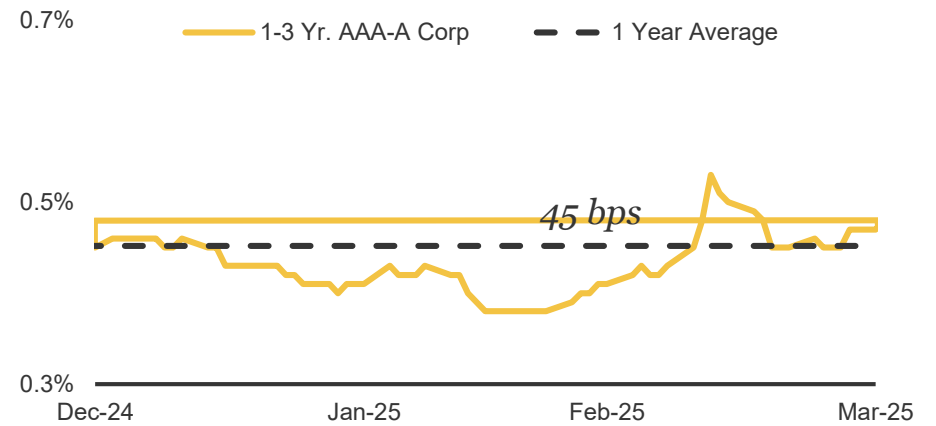
Source: Bloomberg Finance L.P., as of March 31, 2025.

Sector Yield Spreads

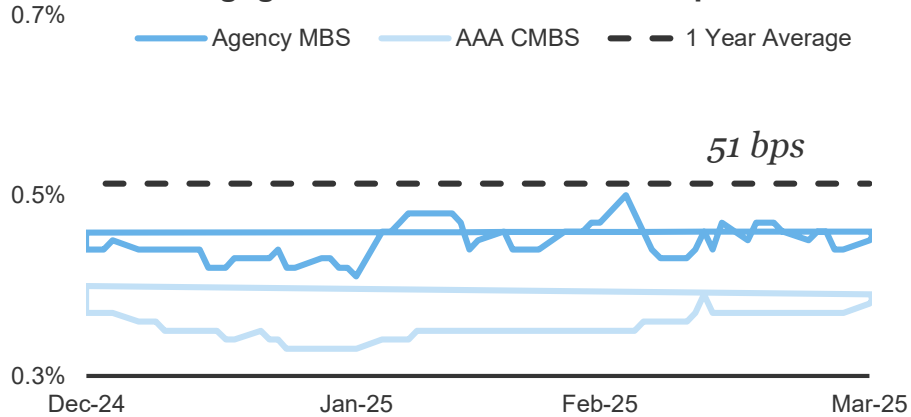
Federal Agency Yield Spreads



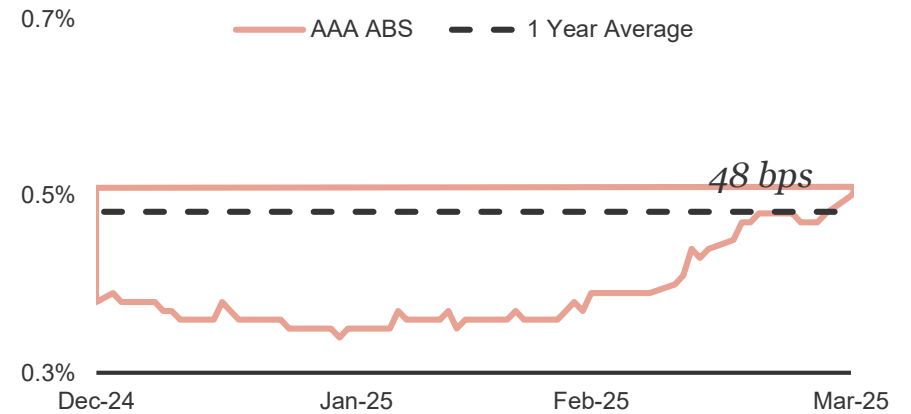
Corporate Notes A-AAA Yield Spreads



Mortgage-Backed Securities Yield Spreads

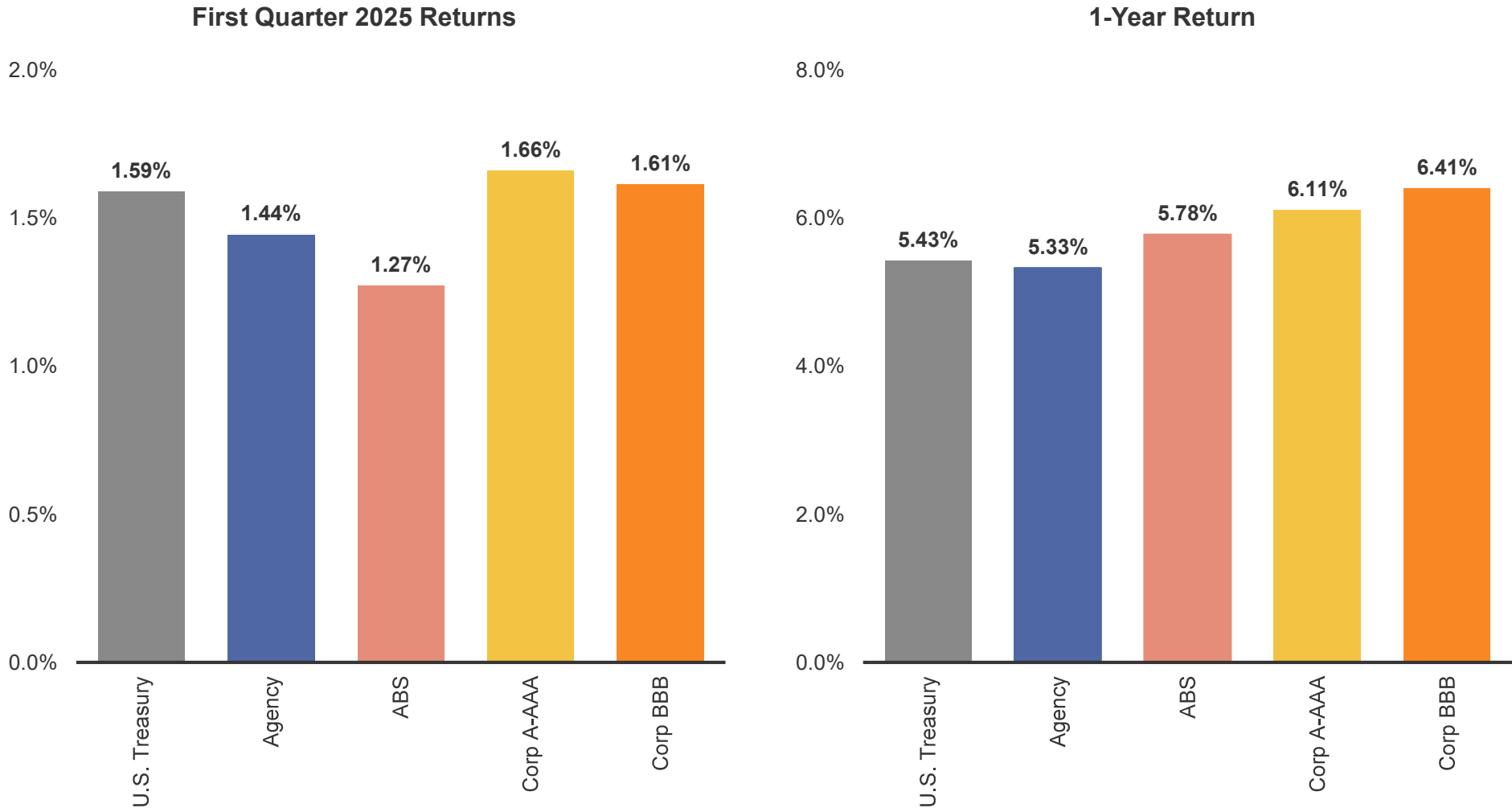


Asset-Backed Securities AAA Yield Spreads



Source: ICE BofA 1-3 year Indices via Bloomberg, MarketAxess and PFMAM as of March 31, 2025. Spreads on ABS and MBS are option-adjusted spreads of 0-3 year indices based on weighted average life; spreads on agencies are relative to comparable maturity Treasuries. CMBS is Commercial Mortgage-Backed Securities and represented by the ICE BofA Agency CMBS Index

Fixed-Income Index Total Returns in 1Q 2025
1-3 Year Indices



Source: ICE BofA Indices. ABS indices are 0-3 year, based on weighted average life. As of March 31, 2025.

Fixed-Income Sector Commentary – 1Q 2025

- ▶ The **Federal Open Market Committee (FOMC)** opted to maintain the target range for the federal funds rate at 4.25-4.5% during both meetings in Q1, citing sticky inflation, a stable unemployment rate, and ‘solid’ labor market conditions.
- ▶ **U.S. Treasury** yields moved lower over the quarter as the 2-year Treasury yield fell 34 bps and 10-year Treasuries fell 37 bps. The change in yields reflected ongoing market sensitivity to domestic policy uncertainty, with a continued focus on the potential impacts of taxes, tariffs, immigration, and deregulation. As a result of the Treasury rally, total returns were strong for the period.
- ▶ **Federal Agency & supranational** spreads remained low and rangebound throughout Q1. Federal agencies produced modestly negative excess returns while supranationals were slightly positive. Issuance remained quite light and the incremental income from the sectors is near zero.
- ▶ **Investment-Grade (IG) corporate bonds** posted strong relative returns yet again as increased issuance levels were met with robust investor demand. Much of the spread widening seen during the second half of the quarter was offset by higher incremental income. From an excess return perspective, higher-quality and shorter-duration issuers outperformed in general in Q1. Financials and banking issuers continued to lead most other industries across the yield curve during the quarter.
- ▶ **Asset-Backed Securities** spreads widened modestly from the impact of heavy new issuance levels and a modest deterioration of credit fundamentals. ABS spreads widened more than corporate spreads, resulting in worse performance over the quarter but better relative value going forward.
- ▶ **Mortgage-Backed Securities** performance was mixed across structure and coupon during Q1 as heightened rate volatility persisted. In contrast, **Agency-backed commercial MBS (CMBS)** performed better for the quarter and saw positive excess returns across collateral and coupon structures.
- ▶ **Short-term credit** (commercial paper and negotiable bank CDs) yields on the front end fell in response to downward pressure from a paydown in the supply of U.S. Treasury Bills. Yield spreads tightened over the quarter in response to moderated issuance and strong demand.

The views expressed within this material constitute the perspective and judgment of PFM Asset Management at the time of distribution (03/31/2025) and are subject to change. Information is obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management cannot guarantee its accuracy, completeness, or suitability.

Fixed-Income Sector Outlook – 2Q 2025

- ▶ **U.S. Treasury** volatility is expected to continue given both fiscal and monetary policy uncertainty. The potential impact of further policy changes on economic growth, inflation, and the labor market are unknown. We expect to see an ongoing steepening of the yield curve given the expectation for future Fed rate cuts.
- ▶ **Federal Agency & Supranational** spreads are likely to remain at tight levels. Government-heavy accounts may find occasional value on an issue-by-issue basis, particularly in supranationals as issuance increases in early Q2.
- ▶ **Taxable Municipals** continue to see little activity due to an ongoing lack of supply and strong demand which continues to suppress yields in both the new issue and secondary markets. We expect few opportunities in the near term.
- ▶ **Investment-Grade Corporate** bond fundamentals remain favorable while technicals have weakened on the margins. A protracted trade war and resulting hit to growth could weaken credit fundamentals and technicals. Valuations have repriced from narrow levels to reflect this uncertainty. We will selectively evaluate opportunities with a focus on industry and credit quality with an eye towards tactically reducing allocations in the sector to make room for future opportunities.
- ▶ **Asset-Backed Securities** fundamentals remain intact and credit metrics have normalized. Consumer credit trends will depend on the labor market and the consumer's response to monetary policy easing, which tends to work on a lag. We expect spreads to remain choppy heading into Q2 despite the stability in underlying technicals and view this as an opportunity to add allocations at more attractive levels.
- ▶ **Mortgage-Backed Securities** are expected to produce muted excess returns in Q2 as policy uncertainty may increase volatility. We may use any meaningful spread widening to add at more attractive levels.
- ▶ **Short-term credit** (commercial paper and negotiable bank CDs) spreads in Q2 will likely depend on changes to debt ceiling dynamics or the Fed's decision to slow the pace of quantitative tightening. Given the positively sloped shape of the money market yield curve, we favor a mix of floating rate in the front end with fixed rate in longer maturities.

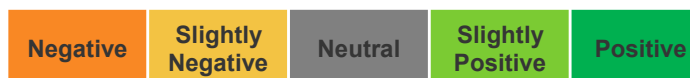
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Fixed-Income Sector Outlook – 2Q 2025

| Sector | Our Investment Preferences |
|-------------------------------|----------------------------|
| COMMERCIAL PAPER / CD | |
| TREASURIES | |
| T-Bill | |
| T-Note | |
| FEDERAL AGENCIES | |
| Bullets | |
| Callables | |
| SUPRANATIONALS | |
| CORPORATES | |
| Financials | |
| Industrials | |
| SECURITIZED | |
| Asset-Backed | |
| Agency Mortgage-Backed | |
| Agency CMBS | |
| MUNICIPALS | |

● Current outlook

○ Outlook one quarter ago



Factors to Consider for 6-12 Months

| | | |
|--|---|--|
| <p>Monetary Policy (Global):</p>  <ul style="list-style-type: none">• The Fed paused its easing cycle in the first quarter given sticky inflation and the solid labor market. While the FOMC’s “dot plot” continues to suggest 50 bps in rate cuts by the end of 2025, Fed Chair Powell indicated there is heightened risk and uncertainty due to the new administration’s policies.• Other major central banks (excluding the Bank of Japan) continued to cut rates. However, inflation remains a risk to this trend continuing, particularly in light of tariff uncertainty. | <p>Economic Growth (Global):</p>  <ul style="list-style-type: none">• U.S. economic growth remained steady in 2024, but worsening consumer sentiment may weigh on spending going forward.• Pro-growth fiscal policies proposed on the campaign trail have yet to be realized, leaving rapidly changing tariff policy to weigh on growth prospects.• Escalating trade tensions create the potential for slowing global growth. | <p>Inflation (U.S.):</p>  <ul style="list-style-type: none">• Progress towards the Fed’s 2% target remains stalled with goods inflation moving higher even before tariff policies were enacted.• Consumer expectations for inflation over the next 12 months have now reached their highest levels since early 2023 on tariff concerns.• Fed Chair Powell said the data are not yet reflecting tariffs and reiterated it will be difficult to directly measure the impact of these policies on prices. |
| <p>Financial Conditions (U.S.):</p>  <ul style="list-style-type: none">• Financial conditions remained supportive in the first half of the quarter but tightened as ongoing tariff risks weighed on equity prices and credit spreads. While credit spreads widened modestly during the first quarter they remain below historic averages.• The evolving fiscal landscape and growing uncertainty may lead to tightening financial conditions over the next 6-12 months. | <p>Consumer Spending (U.S.):</p>  <ul style="list-style-type: none">• Sentiment has meaningfully deteriorated as consumers expect higher prices and weaker labor market conditions as tariffs weigh on the pace of economic growth.• A material deterioration of labor market conditions remains the biggest risk factor to consumer spending. Other headwinds may include slower real wage growth and reduced willingness to spend as prices move higher due to tariffs. | <p>Labor Markets:</p>  <ul style="list-style-type: none">• The labor market remains surprisingly resilient with both initial jobless claims and the unemployment rate at historically low levels. Monthly job gains continue to keep pace with labor force growth.• With hiring and quits rates low, any acceleration in layoffs may result in job seekers remaining unemployed for longer.• Federal job cuts and funding freezes could impact the hiring plans of sectors such as healthcare and higher education which rely on government funding. The impact of immigration policy remains unknown. |

 Current outlook

 Outlook one quarter ago

Stance Unfavorable to Risk Assets

Negative

Slightly Negative

Neutral

Slightly Positive

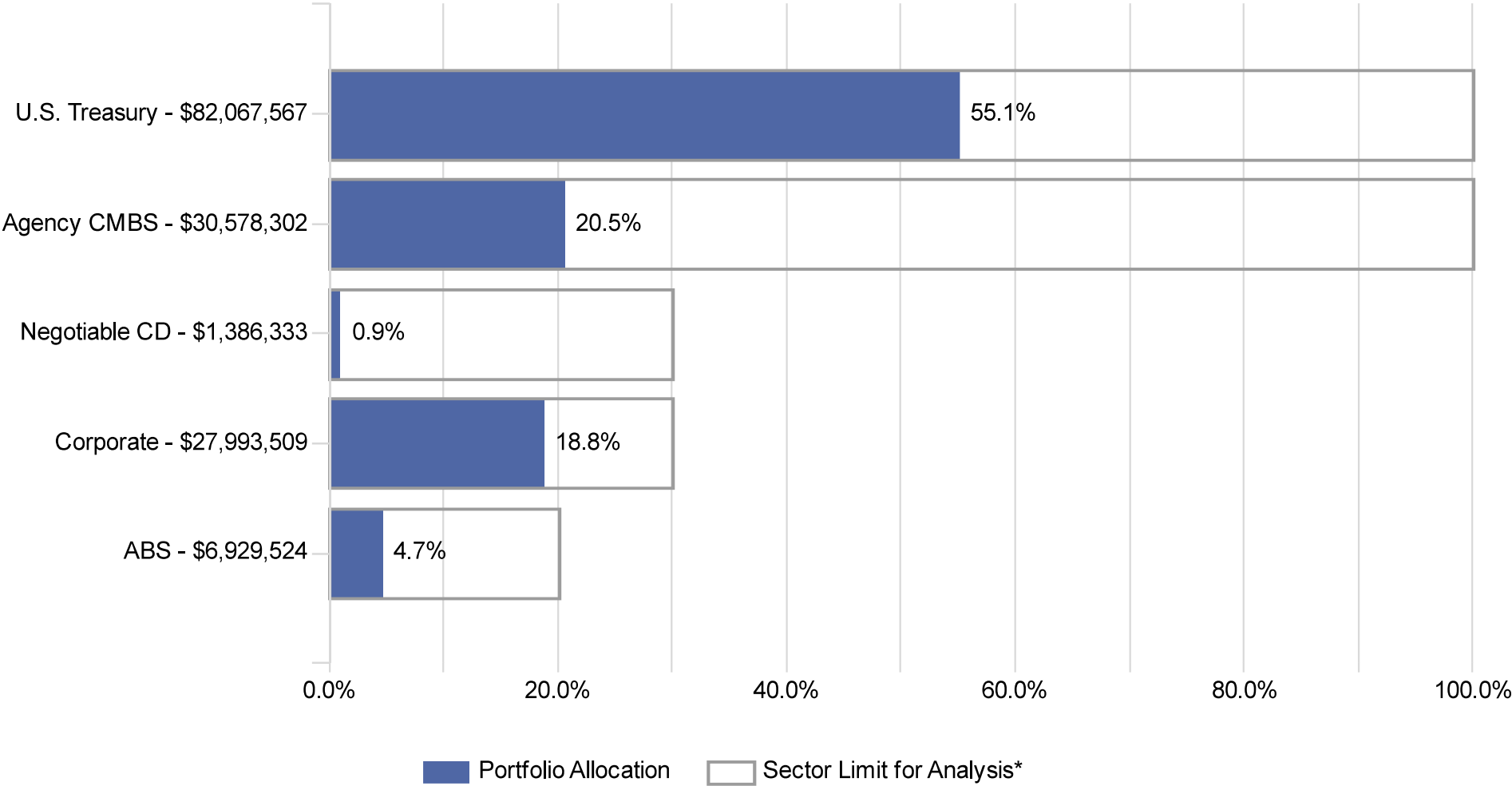
Positive

Stance Favorable to Risk Assets

Statements and opinions expressed about the next 6-12 months were developed based on our independent research with information obtained from Bloomberg and FactSet. The views expressed within this material constitute the perspective and judgment of PFM Asset Management at the time of distribution (3/31/2025) and are subject to change. Information is obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management cannot guarantee its accuracy, completeness, or suitability.

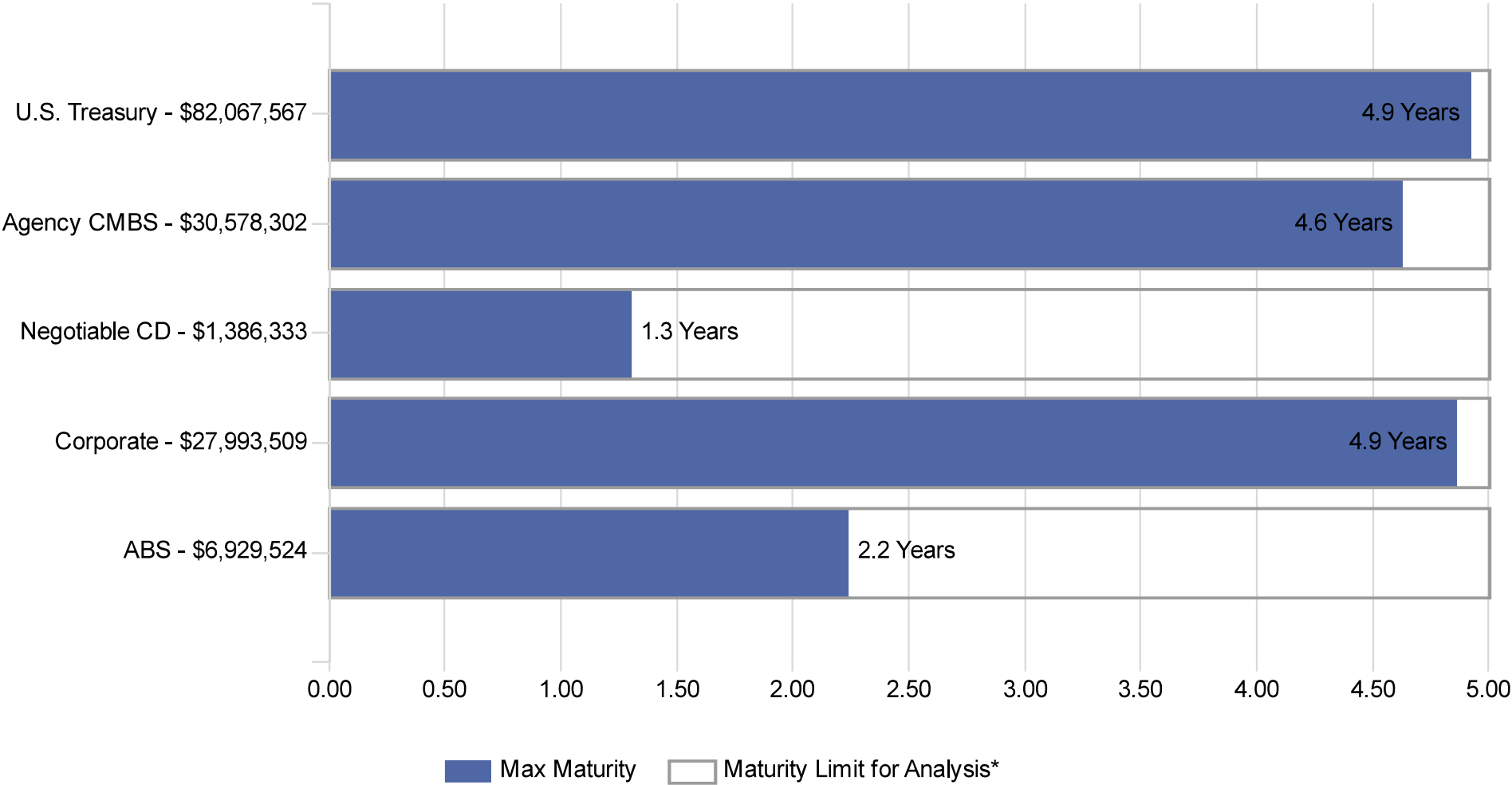
Account Summary

Sector Allocation Analytics



For informational/analytical purposes only and is not provided for compliance assurance. Includes accrued interest.
*Sector Limit for Analysis is as derived from our interpretation of your most recent Investment Policy as provided.

Max Maturity Analytics



For informational/analytical purposes only and is not provided for compliance assurance. Includes accrued interest and excludes balances invested in overnight funds.
*Maturity Limit for Analysis is derived from our interpretation of your most recent Investment Policy as provided.
Mortgage-backed securities and asset-backed securities, if any, limit is based on weighted average life, if applicable. Callable securities, if any, limit is based on maturity date.

Certificate of Compliance

During the reporting period for the quarter ended March 31, 2025, the account(s) managed by PFM Asset Management ("PFMAM") were in compliance with the applicable investment policy and guidelines as furnished to PFMAM.

Acknowledged : *PFM Asset Management, a division of U.S. Bancorp Asset Management, Inc.*

Note: Pre- and post-trade compliance for the account(s) managed by PFM Asset Management is provided via Bloomberg Financial LP Asset and Investment Management ("AIM").

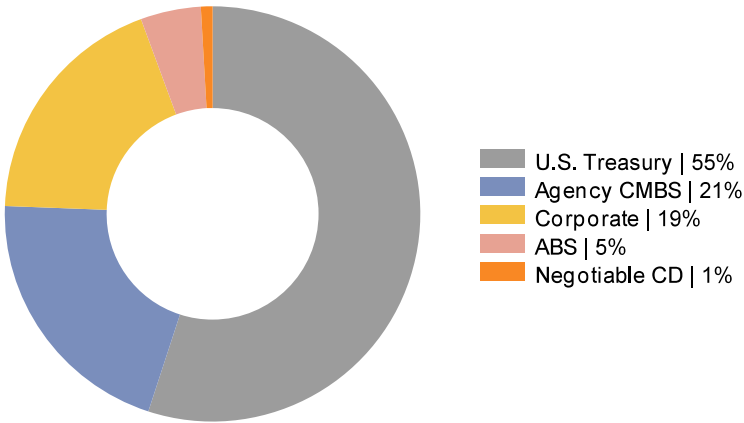
Portfolio Review: ZONE 7 WATER AGENCY

Portfolio Snapshot - ZONE 7 WATER AGENCY¹

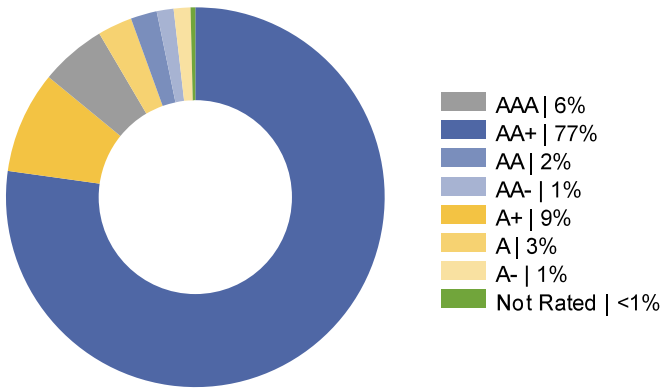
Portfolio Statistics

| | |
|------------------------------|------------------|
| Total Market Value | \$154,311,958.13 |
| Securities Sub-Total | \$147,995,885.65 |
| Accrued Interest | \$959,348.37 |
| Cash | \$5,356,724.11 |
| Portfolio Effective Duration | 2.49 years |
| Benchmark Effective Duration | 2.48 years |
| Yield At Cost | 3.94% |
| Yield At Market | 4.14% |
| Portfolio Credit Quality | AA |

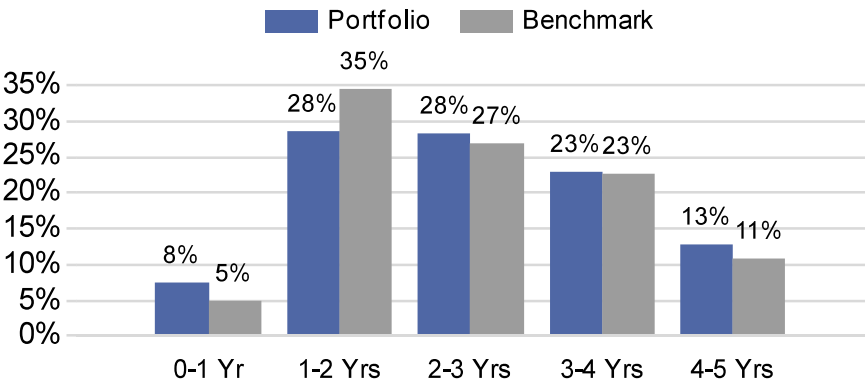
Sector Allocation



Credit Quality - S&P



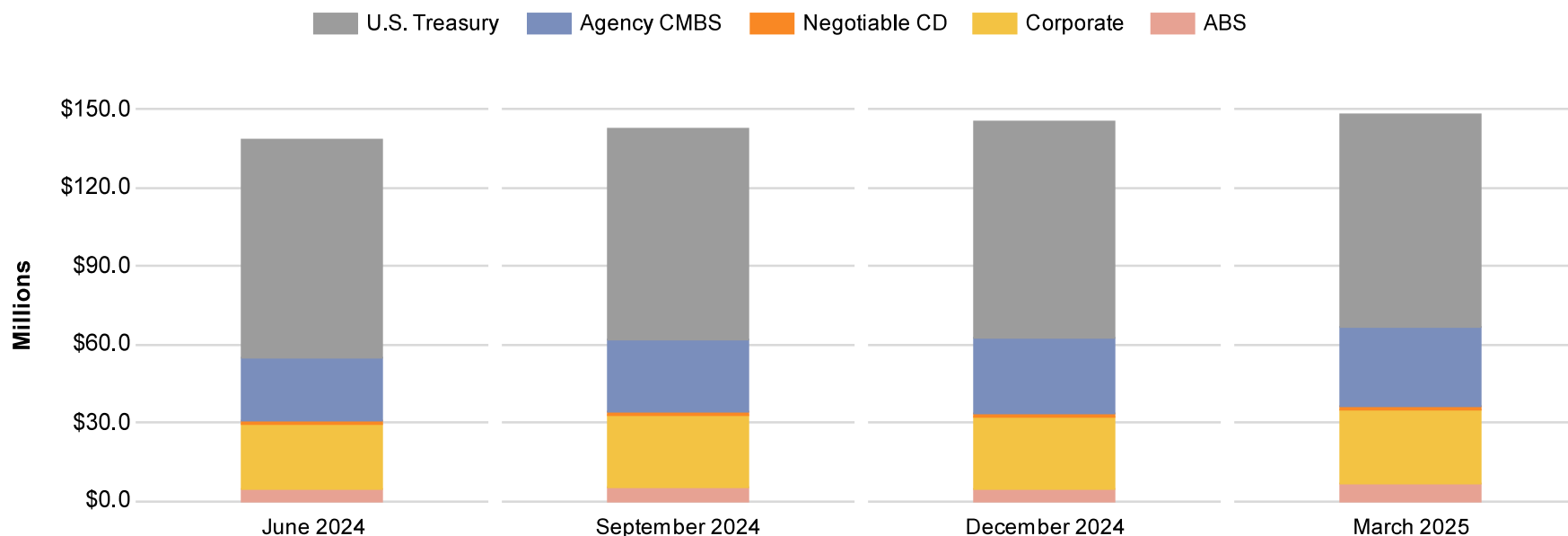
Duration Distribution



1. Yield and duration calculations exclude cash and cash equivalents. Sector allocation includes market values and accrued interest. The portfolio's benchmark is the ICE BofA 1-5 Year U.S. Treasury Index. Source: Bloomberg Financial LP. An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

Sector Allocation Review - ZONE 7 WATER AGENCY

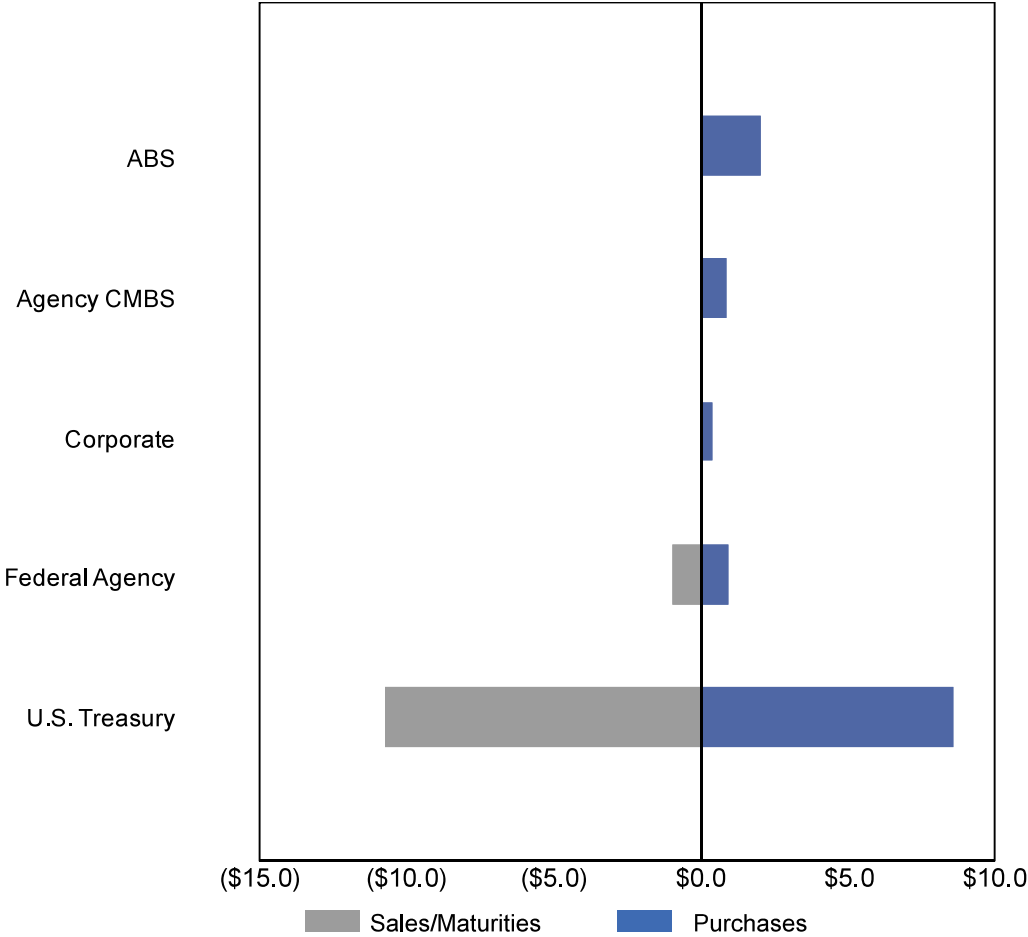
| Security Type | Jun-24 | % of Total | Sep-24 | % of Total | Dec-24 | % of Total | Mar-25 | % of Total |
|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|
| U.S. Treasury | \$83.7 | 60.4% | \$81.1 | 56.7% | \$82.6 | 56.8% | \$81.5 | 55.0% |
| Agency CMBS | \$24.0 | 17.4% | \$27.6 | 19.4% | \$29.3 | 20.1% | \$30.5 | 20.6% |
| Negotiable CD | \$1.3 | 1.0% | \$1.4 | 1.0% | \$1.4 | 1.0% | \$1.4 | 0.9% |
| Corporate | \$24.4 | 17.7% | \$27.6 | 19.4% | \$27.2 | 18.7% | \$27.7 | 18.8% |
| ABS | \$4.8 | 3.5% | \$4.9 | 3.5% | \$4.9 | 3.4% | \$6.9 | 4.7% |
| Total | \$138.2 | 100.0% | \$142.6 | 100.0% | \$145.3 | 100.0% | \$148.0 | 100.0% |



Market values, excluding accrued interest. Only includes fixed-income securities held within the separately managed account(s) and LGIPs managed by PFMAM. Detail may not add to total due to rounding.

Portfolio Activity - ZONE 7 WATER AGENCY

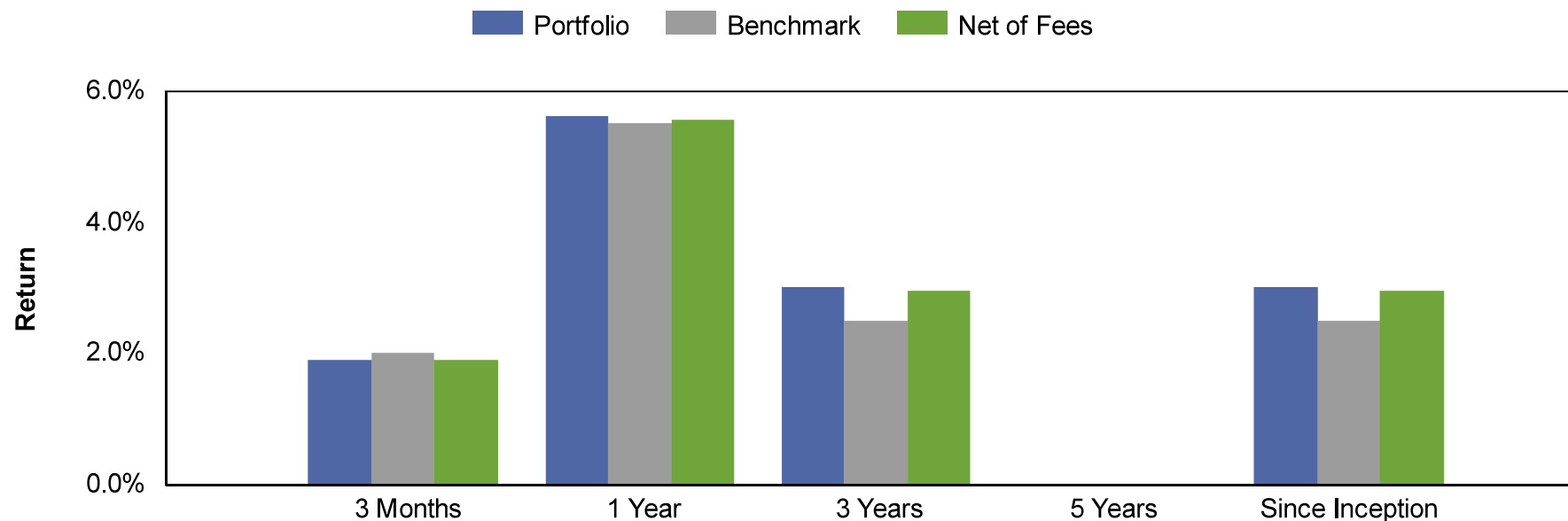
Net Activity by Sector
(\$ millions)



| Sector | Net Activity |
|--------------------|---------------|
| ABS | \$2,004,829 |
| Agency CMBS | \$841,944 |
| Corporate | \$329,446 |
| Federal Agency | (\$647) |
| U.S. Treasury | (\$2,155,197) |
| Total Net Activity | \$1,020,374 |

Based on total proceeds (principal and accrued interest) of buys, sells, maturities, and principal paydowns. Detail may not add to total due to rounding.

Portfolio Performance



| Market Value Basis Earnings | 3 Months | 1 Year | 3 Years | 5 Years | Since Inception ¹ |
|---------------------------------|--------------------|--------------------|---------------------|----------|------------------------------|
| Interest Earned ² | \$1,264,798 | \$4,576,053 | \$9,461,005 | - | \$9,461,005 |
| Change in Market Value | \$1,621,398 | \$3,543,270 | \$3,360,678 | - | \$3,360,678 |
| Total Dollar Return | \$2,886,196 | \$8,119,323 | \$12,821,683 | - | \$12,821,683 |
| Total Return³ | | | | | |
| Portfolio | 1.91% | 5.63% | 3.02% | - | 3.02% |
| Benchmark ⁴ | 2.00% | 5.50% | 2.49% | - | 2.49% |
| Basis Point Fee | 0.02% | 0.07% | 0.07% | - | 0.07% |
| Net of Fee Return | 1.89% | 5.56% | 2.95% | - | 2.95% |

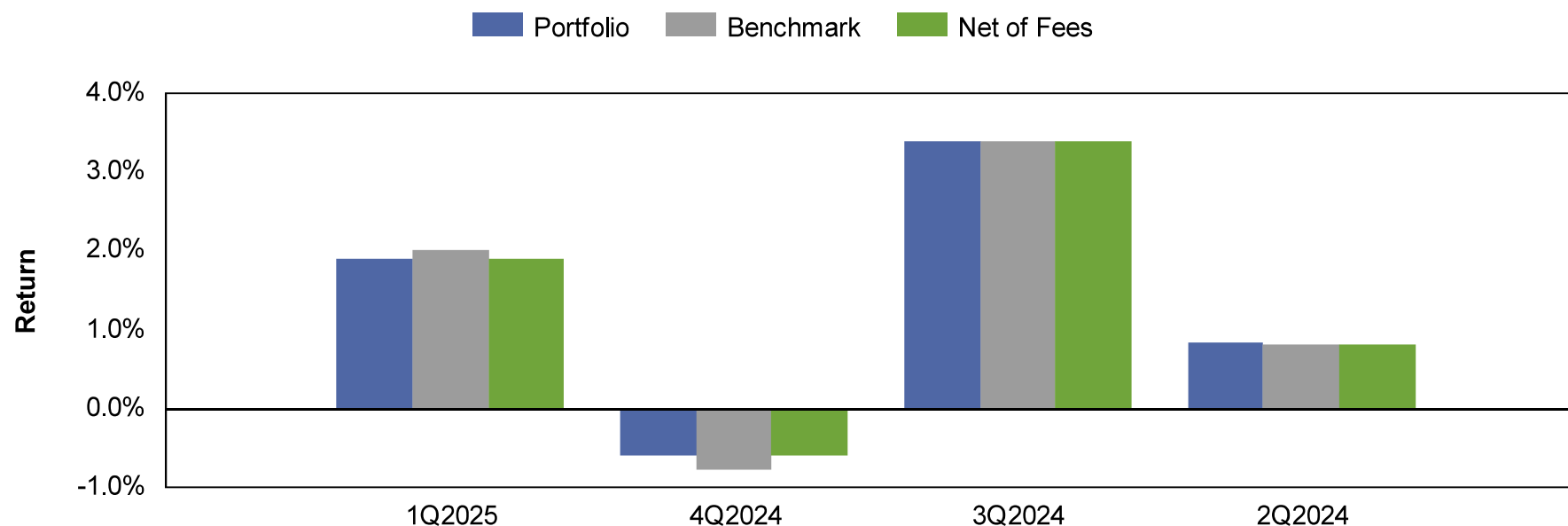
1. The lesser of 10 years or since inception is shown. Since inception returns for periods one year or less are not shown. Performance inception date is March 31, 2022.

2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

3. Returns for periods one year or less are presented on a periodic basis. Returns for periods greater than one year are presented on an annualized basis.

4. The portfolio's benchmark is the ICE BofA 1-5 Year U.S. Treasury Index. Source: Bloomberg Financial LP.

Portfolio Performance



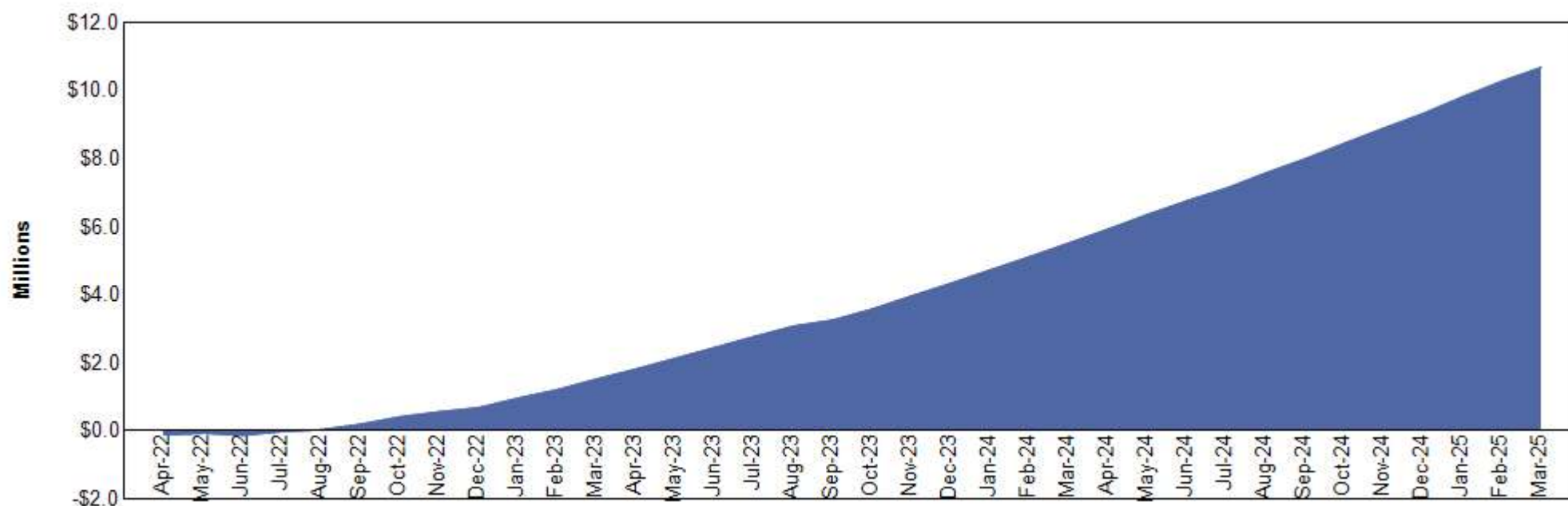
| Market Value Basis Earnings | 1Q2025 | 4Q2024 | 3Q2024 | 2Q2024 |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|
| Interest Earned ¹ | \$1,264,798 | \$1,179,794 | \$1,116,399 | \$1,015,062 |
| Change in Market Value | \$1,621,398 | (\$2,048,149) | \$3,774,402 | \$195,620 |
| Total Dollar Return | \$2,886,196 | (\$868,355) | \$4,890,801 | \$1,210,682 |
| Total Return² | | | | |
| Portfolio | 1.91% | -0.59% | 3.40% | 0.84% |
| Benchmark ³ | 2.00% | -0.77% | 3.39% | 0.82% |
| Basis Point Fee | 0.02% | 0.02% | 0.02% | 0.02% |
| Net of Fee Return | 1.89% | -0.60% | 3.38% | 0.82% |

1. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

2. Returns are presented on a periodic basis.

3. The portfolio's benchmark is the ICE BofA 1-5 Year U.S. Treasury Index. Source: Bloomberg Financial LP.

Accrual Basis Earnings - ZONE 7 WATER AGENCY



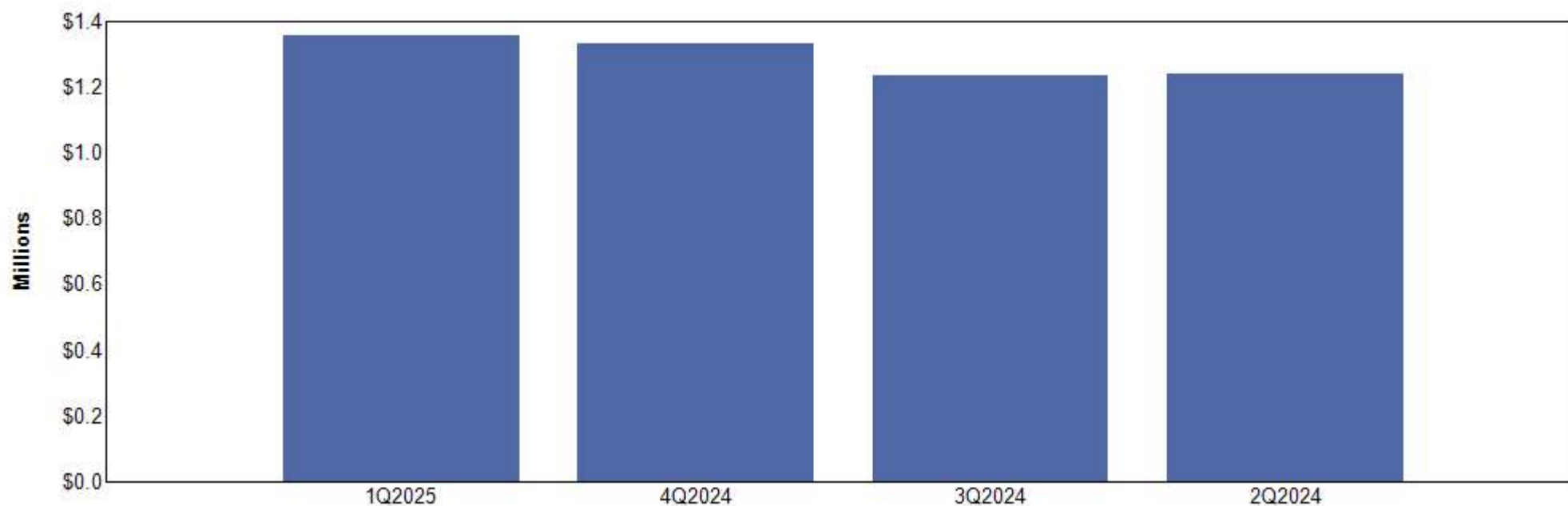
| Accrual Basis Earnings | 3 Months | 1 Year | 3 Years | 5 Year | Since Inception ¹ |
|--|--------------------|--------------------|---------------------|----------|------------------------------|
| Interest Earned ² | \$1,264,798 | \$4,576,053 | \$9,461,005 | - | \$9,461,005 |
| Realized Gains / (Losses) ³ | (\$118,612) | (\$415,727) | (\$1,720,475) | - | (\$1,720,475) |
| Change in Amortized Cost | \$208,737 | \$999,821 | \$2,948,163 | - | \$2,948,163 |
| Total Earnings | \$1,354,923 | \$5,160,147 | \$10,688,692 | - | \$10,688,692 |

1. The lesser of 10 years or since inception is shown. Performance inception date is March 31, 2022.

2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

3. Realized gains / (losses) are shown on an amortized cost basis.

Accrual Basis Earnings - ZONE 7 WATER AGENCY



| Accrual Basis Earnings | 1Q2025 | 4Q2024 | 3Q2024 | 2Q2024 |
|--|--------------------|--------------------|--------------------|--------------------|
| Interest Earned ¹ | \$1,264,798 | \$1,179,794 | \$1,116,399 | \$1,015,062 |
| Realized Gains / (Losses) ² | (\$118,612) | (\$93,804) | (\$143,247) | (\$60,064) |
| Change in Amortized Cost | \$208,737 | \$244,213 | \$260,606 | \$286,265 |
| Total Earnings | \$1,354,923 | \$1,330,203 | \$1,233,757 | \$1,241,263 |

1. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

2. Realized gains / (losses) are shown on an amortized cost basis.

Portfolio Holdings and Transactions

Issuer Diversification

| Security Type / Issuer | Market Value (%) | S&P / Moody's / Fitch |
|---------------------------------------|------------------|-----------------------|
| U.S. Treasury | 55.1% | |
| United States Treasury | 55.1% | AA / Aaa / AA |
| Agency CMBS | 20.5% | |
| Federal Home Loan Mortgage Corp | 19.6% | AA / Aaa / AA |
| Federal National Mortgage Association | 0.9% | AA / Aaa / AA |
| Negotiable CD | 0.9% | |
| Cooperatieve Rabobank UA | 0.9% | A / Aa / AA |
| Corporate | 18.8% | |
| Adobe Inc | 0.7% | A / A / NR |
| Amazon.com Inc | 1.4% | AA / A / AA |
| Apple Inc | 1.6% | AA / Aaa / NR |
| Bank of America Corp | 1.4% | A / A / AA |
| BlackRock Inc | 0.1% | AA / Aa / NR |
| Citigroup Inc | 1.4% | A / Aa / A |
| Deere & Co | 0.7% | A / A / A |
| Eli Lilly & Co | 0.7% | A / Aa / NR |
| Home Depot Inc | 0.9% | A / A / A |
| JPMorgan Chase & Co | 1.4% | AA / Aa / AA |
| Mastercard Inc | 0.6% | A / Aa / NR |
| Microsoft Corp | 1.4% | AAA / Aaa / NR |
| Morgan Stanley | 0.9% | A / Aa / AA |
| PACCAR Inc | 0.7% | A / A / NR |
| PepsiCo Inc | 0.7% | A / A / NR |
| State Street Corp | 0.5% | A / Aa / AA |
| Target Corp | 0.9% | A / A / A |
| Toyota Motor Corp | 0.7% | A / A / A |
| Walmart Inc | 0.9% | AA / Aa / AA |

| Security Type / Issuer | Market Value (%) | S&P / Moody's / Fitch |
|---|------------------|-----------------------|
| Corporate | 18.8% | |
| Wells Fargo & Co | 1.3% | A / Aa / AA |
| ABS | 4.7% | |
| American Express Co | 0.7% | AAA / NR / AAA |
| BA Credit Card Trust | 0.3% | NR / Aaa / AAA |
| Citigroup Inc | 0.2% | AAA / Aaa / AAA |
| GM Financial Consumer Automobile Receiv | 0.1% | NR / Aaa / AAA |
| Honda Auto Receivables Owner Trust | 0.7% | AAA / NR / AAA |
| Hyundai Auto Receivables Trust | 0.9% | AAA / NR / AAA |
| JPMorgan Chase & Co | 1.5% | AAA / NR / AAA |
| Toyota Auto Receivables Owner Trust | 0.2% | AAA / NR / AAA |
| Total | 100.0% | |

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Includes accrued interest and excludes balances invested in overnight funds.

For the Quarter Ended March 31, 2025

ZONE 7 WATER AGENCY

Portfolio Composition

Issuer Distribution As of March 31, 2025

| Issuer | Market Value (\$) | % of Portfolio |
|---------------------------------------|-------------------|----------------|
| UNITED STATES TREASURY | 81,507,829 | 55.06 % |
| FEDERAL HOME LOAN MORTGAGE CORP | 29,156,262 | 19.70 % |
| JPMORGAN CHASE & CO | 4,263,463 | 2.88 % |
| CITIGROUP INC | 2,352,158 | 1.59 % |
| APPLE INC | 2,297,143 | 1.55 % |
| BANK OF AMERICA CORP | 2,110,770 | 1.43 % |
| MICROSOFT CORP | 2,047,635 | 1.38 % |
| AMAZON.COM INC | 1,988,949 | 1.34 % |
| WELLS FARGO & CO | 1,971,298 | 1.33 % |
| MORGAN STANLEY | 1,374,377 | 0.93 % |
| COOPERATIEVE RABOBANK UA | 1,372,236 | 0.93 % |
| HOME DEPOT INC | 1,342,878 | 0.91 % |
| HYUNDAI AUTO RECEIVABLES TRUST | 1,333,658 | 0.90 % |
| TARGET CORP | 1,323,061 | 0.89 % |
| FEDERAL NATIONAL MORTGAGE ASSOCIATION | 1,304,837 | 0.88 % |
| WALMART INC | 1,296,733 | 0.88 % |
| ELI LILLY & CO | 1,092,741 | 0.74 % |
| AMERICAN EXPRESS CO | 1,082,916 | 0.73 % |
| HONDA AUTO RECEIVABLES OWNER TRUST | 1,075,046 | 0.73 % |
| PEPSICO INC | 1,058,528 | 0.72 % |
| DEERE & CO | 1,014,312 | 0.69 % |
| ADOBE INC | 1,005,098 | 0.68 % |
| PACCAR INC | 992,602 | 0.67 % |
| TOYOTA MOTOR CORP | 986,305 | 0.67 % |

For the Quarter Ended March 31, 2025

ZONE 7 WATER AGENCY

Portfolio Composition

| Issuer | Market Value (\$) | % of Portfolio |
|---|-------------------|----------------|
| MASTERCARD INC | 948,356 | 0.64 % |
| STATE STREET CORP | 684,942 | 0.46 % |
| BA CREDIT CARD TRUST | 485,259 | 0.33 % |
| TOYOTA AUTO RECEIVABLES OWNER TRUST | 268,974 | 0.18 % |
| GM FINANCIAL CONSUMER AUTOMOBILE RECEIV | 130,728 | 0.09 % |
| BLACKROCK INC | 126,791 | 0.09 % |
| Grand Total | 147,995,886 | 100.00 % |

For the Quarter Ended March 31, 2025

ZONE 7 WATER AGENCY

Portfolio Holdings

Managed Account Detail of Securities Held

| Security Type/Description Dated Date/Coupon/Maturity | CUSIP | Par | S&P Rating | Moody's Rating | Trade Date | Settle Date | Original Cost | YTM at Cost | Accrued Interest | Amortized Cost | Market Value |
|---|-----------|--------------|---------------|-------------------|---------------|----------------|------------------|----------------|---------------------|-------------------|-----------------|
| U.S. Treasury | | | | | | | | | | | |
| US TREASURY N/B DTD 03/31/2021 0.750% 03/31/2026 | 91282CBT7 | 3,405,000.00 | AA+ | Aaa | 5/3/2022 | 5/4/2022 | 3,126,614.65 | 2.98 | 69.77 | 3,333,989.30 | 3,295,566.71 |
| US TREASURY N/B DTD 03/31/2021 0.750% 03/31/2026 | 91282CBT7 | 2,255,000.00 | AA+ | Aaa | 4/1/2022 | 4/4/2022 | 2,094,771.68 | 2.64 | 46.21 | 2,214,970.41 | 2,182,526.56 |
| US TREASURY N/B DTD 04/30/2021 0.750% 04/30/2026 | 91282CBW0 | 1,225,000.00 | AA+ | Aaa | 2/17/2022 | 2/18/2022 | 1,170,162.11 | 1.86 | 3,857.73 | 1,210,896.78 | 1,182,526.80 |
| US TREASURY N/B DTD 06/01/2021 0.750% 05/31/2026 | 91282CCF6 | 1,665,000.00 | AA+ | Aaa | 3/8/2022 | 3/9/2022 | 1,592,546.48 | 1.82 | 4,185.37 | 1,645,056.51 | 1,603,213.52 |
| US TREASURY N/B DTD 06/01/2021 0.750% 05/31/2026 | 91282CCF6 | 6,760,000.00 | AA+ | Aaa | 6/6/2022 | 6/8/2022 | 6,195,434.38 | 2.99 | 16,992.86 | 6,594,865.53 | 6,509,143.16 |
| US TREASURY N/B DTD 09/30/2021 0.875% 09/30/2026 | 91282CCZ2 | 3,420,000.00 | AA+ | Aaa | 5/3/2022 | 5/4/2022 | 3,122,353.13 | 3.00 | 81.76 | 3,318,874.01 | 3,267,303.84 |
| US TREASURY N/B DTD 11/15/2016 2.000% 11/15/2026 | 912828U24 | 6,450,000.00 | AA+ | Aaa | 6/6/2022 | 6/8/2022 | 6,181,669.92 | 3.01 | 48,820.44 | 6,351,838.53 | 6,252,468.75 |
| US TREASURY N/B DTD 02/15/2017 2.250% 02/15/2027 | 912828V98 | 5,300,000.00 | AA+ | Aaa | 7/5/2022 | 7/7/2022 | 5,162,945.31 | 2.85 | 14,823.90 | 5,244,250.32 | 5,139,346.40 |
| US TREASURY N/B DTD 04/30/2020 0.500% 04/30/2027 | 912828ZN3 | 5,775,000.00 | AA+ | Aaa | 8/3/2022 | 8/5/2022 | 5,161,406.25 | 2.92 | 12,124.31 | 5,505,643.35 | 5,383,385.70 |
| US TREASURY N/B DTD 05/15/2017 2.375% 05/15/2027 | 912828X88 | 6,220,000.00 | AA+ | Aaa | 6/10/2022 | 6/13/2022 | 5,966,826.56 | 3.28 | 55,906.98 | 6,110,953.68 | 6,024,169.52 |
| US TREASURY N/B DTD 06/30/2020 0.500% 06/30/2027 | 912828ZV5 | 2,750,000.00 | AA+ | Aaa | 8/9/2022 | 8/10/2022 | 2,440,410.16 | 2.99 | 3,456.49 | 2,607,779.46 | 2,549,874.25 |
| US TREASURY N/B DTD 08/15/2017 2.250% 08/15/2027 | 9128282R0 | 2,570,000.00 | AA+ | Aaa | 9/1/2022 | 9/6/2022 | 2,436,580.86 | 3.40 | 7,188.19 | 2,505,952.90 | 2,473,825.46 |
| US TREASURY N/B DTD 09/30/2022 4.125% 09/30/2027 | 91282CFM8 | 875,000.00 | AA+ | Aaa | 11/1/2022 | 11/3/2022 | 869,291.99 | 4.27 | 98.62 | 872,095.03 | 879,579.75 |
| US TREASURY N/B DTD 10/31/2022 4.125% 10/31/2027 | 91282CFU0 | 5,890,000.00 | AA+ | Aaa | 12/13/2022 | 12/14/2022 | 6,019,303.91 | 3.63 | 102,017.40 | 5,958,425.13 | 5,919,909.42 |
| US TREASURY N/B DTD 11/17/1997 6.125% 11/15/2027 | 912810FB9 | 1,560,000.00 | AA+ | Aaa | 1/26/2023 | 1/30/2023 | 1,730,685.94 | 3.62 | 36,161.19 | 1,653,438.36 | 1,645,860.84 |

For the Quarter Ended March 31, 2025

ZONE 7 WATER AGENCY

Portfolio Holdings

| Security Type/Description Dated Date/Coupon/Maturity | CUSIP | Par | S&P Rating | Moody's Rating | Trade Date | Settle Date | Original Cost | YTM at Cost | Accrued Interest | Amortized Cost | Market Value |
|---|-----------|----------------------|---------------|-------------------|---------------|----------------|----------------------|----------------|---------------------|----------------------|----------------------|
| U.S. Treasury | | | | | | | | | | | |
| US TREASURY N/B DTD 02/28/2023 4.000% 02/29/2028 | 91282CGP0 | 600,000.00 | AA+ | Aaa | 2/14/2024 | 2/15/2024 | 593,203.12 | 4.31 | 2,086.96 | 595,097.03 | 601,359.60 |
| US TREASURY N/B DTD 03/31/2023 3.625% 03/31/2028 | 91282CGT2 | 850,000.00 | AA+ | Aaa | 5/31/2023 | 5/31/2023 | 842,263.67 | 3.83 | 84.19 | 845,203.12 | 843,193.20 |
| US TREASURY N/B DTD 05/01/2023 3.500% 04/30/2028 | 91282CHA2 | 865,000.00 | AA+ | Aaa | 5/1/2023 | 5/1/2023 | 860,877.73 | 3.61 | 12,712.15 | 862,460.27 | 854,389.91 |
| US TREASURY N/B DTD 04/30/2024 4.625% 04/30/2029 | 91282CKP5 | 475,000.00 | AA+ | Aaa | 5/2/2024 | 5/3/2024 | 476,076.17 | 4.57 | 9,224.45 | 475,897.51 | 486,875.00 |
| US TREASURY N/B DTD 04/30/2024 4.625% 04/30/2029 | 91282CKP5 | 1,530,000.00 | AA+ | Aaa | 5/30/2024 | 5/31/2024 | 1,532,211.33 | 4.59 | 29,712.43 | 1,531,870.20 | 1,568,250.00 |
| US TREASURY N/B DTD 07/01/2024 4.250% 06/30/2029 | 91282CKX8 | 4,740,000.00 | AA+ | Aaa | 7/2/2024 | 7/3/2024 | 4,713,152.34 | 4.38 | 50,640.75 | 4,716,806.70 | 4,792,770.42 |
| US TREASURY N/B DTD 07/31/2024 4.000% 07/31/2029 | 91282CLC3 | 230,000.00 | AA+ | Aaa | 8/1/2024 | 8/2/2024 | 231,608.20 | 3.84 | 1,524.86 | 231,413.27 | 230,341.32 |
| US TREASURY N/B DTD 09/03/2024 3.625% 08/31/2029 | 91282CLK5 | 3,420,000.00 | AA+ | Aaa | 9/4/2024 | 9/5/2024 | 3,427,080.47 | 3.58 | 10,780.43 | 3,426,341.06 | 3,373,241.76 |
| US TREASURY N/B DTD 10/31/2024 4.125% 10/31/2029 | 91282CLR0 | 445,000.00 | AA+ | Aaa | 10/30/2024 | 10/31/2024 | 444,634.96 | 4.14 | 7,707.60 | 444,663.47 | 447,746.54 |
| US TREASURY N/B DTD 12/02/2024 4.125% 11/30/2029 | 91282CMA6 | 7,280,000.00 | AA+ | Aaa | 12/5/2024 | 12/6/2024 | 7,293,081.25 | 4.08 | 100,650.00 | 7,292,344.26 | 7,327,487.44 |
| US TREASURY N/B DTD 01/31/2025 4.250% 01/31/2030 | 91282CMG3 | 1,585,000.00 | AA+ | Aaa | 2/4/2025 | 2/5/2025 | 1,579,118.16 | 4.33 | 11,165.06 | 1,579,284.45 | 1,603,327.36 |
| US TREASURY N/B DTD 02/28/2023 4.000% 02/28/2030 | 91282CGQ8 | 5,065,000.00 | AA+ | Aaa | 3/4/2025 | 3/5/2025 | 5,075,288.28 | 3.95 | 17,617.39 | 5,075,153.21 | 5,070,146.04 |
| Security Type Sub-Total | | 83,205,000.00 | | | | | 80,339,599.01 | 3.40 | 559,737.49 | 82,205,563.85 | 81,507,829.27 |
| Negotiable CD | | | | | | | | | | | |
| COOPERAT RABOBANK UA/NY DTD 07/20/2023 5.080% 07/17/2026 | 21684LGS5 | 1,350,000.00 | A+ | Aa2 | 7/17/2023 | 7/20/2023 | 1,350,000.00 | 5.08 | 14,097.00 | 1,350,000.00 | 1,372,235.85 |
| Security Type Sub-Total | | 1,350,000.00 | | | | | 1,350,000.00 | 5.08 | 14,097.00 | 1,350,000.00 | 1,372,235.85 |

For the Quarter Ended March 31, 2025

ZONE 7 WATER AGENCY

Portfolio Holdings

| Security Type/Description Dated Date/Coupon/Maturity | CUSIP | Par | S&P Rating | Moody's Rating | Trade Date | Settle Date | Original Cost | YTM at Cost | Accrued Interest | Amortized Cost | Market Value |
|---|-----------|--------------|---------------|-------------------|---------------|----------------|------------------|----------------|---------------------|-------------------|-----------------|
| Corporate | | | | | | | | | | | |
| AMAZON.COM INC DTD 04/13/2022 3.000% 04/13/2025 | 023135CE4 | 1,990,000.00 | AA | A1 | 4/11/2022 | 4/13/2022 | 1,986,835.90 | 3.06 | 27,860.00 | 1,989,964.84 | 1,988,949.28 |
| WALMART INC (CALLABLE) DTD 06/27/2018 3.550% 06/26/2025 | 931142ED1 | 1,300,000.00 | AA | Aa2 | 2/7/2022 | 2/9/2022 | 1,372,527.00 | 1.84 | 12,178.47 | 1,301,567.13 | 1,296,733.10 |
| WELLS FARGO BANK NA (CALLABLE) DTD 08/09/2023 5.450% 08/07/2026 | 94988J6D4 | 1,945,000.00 | A+ | Aa2 | 8/18/2023 | 8/22/2023 | 1,942,335.35 | 5.50 | 15,900.38 | 1,943,784.02 | 1,971,298.34 |
| JP MORGAN CHASE BANK NA (CALLABLE) DTD 12/08/2023 5.110% 12/08/2026 | 48125LRU8 | 2,000,000.00 | AA- | Aa2 | 12/5/2023 | 12/8/2023 | 2,000,000.00 | 5.11 | 32,079.44 | 2,000,000.00 | 2,025,406.00 |
| TARGET CORP (CALLABLE) DTD 01/24/2022 1.950% 01/15/2027 | 87612EBM7 | 1,375,000.00 | A | A2 | 2/7/2022 | 2/9/2022 | 1,366,915.00 | 2.08 | 5,660.42 | 1,372,068.28 | 1,323,060.75 |
| MICROSOFT CORP (CALLABLE) DTD 02/06/2017 3.300% 02/06/2027 | 594918BY9 | 2,075,000.00 | AAA | Aaa | 12/14/2022 | 12/16/2022 | 2,015,634.25 | 4.06 | 10,461.46 | 2,048,504.55 | 2,047,634.90 |
| BANK OF AMERICA CORP (CALLABLE) DTD 03/11/2021 1.658% 03/11/2027 | 06051GJQ3 | 2,170,000.00 | A- | A1 | 4/13/2022 | 4/18/2022 | 2,000,761.70 | 3.40 | 1,998.81 | 2,102,803.85 | 2,110,769.85 |
| HOME DEPOT INC (CALLABLE) DTD 09/14/2017 2.800% 09/14/2027 | 437076BT8 | 1,390,000.00 | A | A2 | 1/26/2023 | 1/30/2023 | 1,311,326.00 | 4.16 | 1,837.89 | 1,348,251.72 | 1,342,877.61 |
| TOYOTA MOTOR CREDIT CORP DTD 01/12/2023 4.625% 01/12/2028 | 89236TKQ7 | 980,000.00 | A+ | A1 | 8/14/2023 | 8/16/2023 | 967,946.00 | 4.94 | 9,946.32 | 972,392.15 | 986,305.32 |
| APPLE INC (CALLABLE) DTD 05/10/2023 4.000% 05/10/2028 | 037833ET3 | 2,300,000.00 | AA+ | Aaa | 5/10/2023 | 5/11/2023 | 2,302,001.00 | 3.98 | 36,033.33 | 2,301,231.82 | 2,297,143.40 |
| MORGAN STANLEY BANK NA (CALLABLE) DTD 05/30/2024 5.504% 05/26/2028 | 61690U8B9 | 890,000.00 | A+ | Aa3 | 5/30/2024 | 5/31/2024 | 891,877.90 | 5.45 | 17,008.89 | 891,286.50 | 906,070.73 |
| MORGAN STANLEY BANK NA (CALLABLE) DTD 05/30/2024 5.504% 05/26/2028 | 61690U8B9 | 460,000.00 | A+ | Aa3 | 5/28/2024 | 5/30/2024 | 460,000.00 | 5.50 | 8,791.11 | 460,000.00 | 468,306.22 |
| JOHN DEERE CAPITAL CORP DTD 07/14/2023 4.950% 07/14/2028 | 24422EXB0 | 345,000.00 | A | A1 | 7/14/2023 | 7/18/2023 | 348,381.00 | 4.73 | 3,652.69 | 347,227.02 | 351,696.11 |
| JOHN DEERE CAPITAL CORP DTD 07/14/2023 4.950% 07/14/2028 | 24422EXB0 | 455,000.00 | A | A1 | 7/11/2023 | 7/14/2023 | 454,322.05 | 4.98 | 4,817.31 | 454,554.44 | 463,831.10 |
| JOHN DEERE CAPITAL CORP DTD 07/14/2023 4.950% 07/14/2028 | 24422EXB0 | 195,000.00 | A | A1 | 7/13/2023 | 7/14/2023 | 197,652.00 | 4.64 | 2,064.56 | 196,742.95 | 198,784.76 |

For the Quarter Ended March 31, 2025

ZONE 7 WATER AGENCY

Portfolio Holdings

| Security Type/Description Dated Date/Coupon/Maturity | CUSIP | Par | S&P Rating | Moody's Rating | Trade Date | Settle Date | Original Cost | YTM at Cost | Accrued Interest | Amortized Cost | Market Value |
|---|-----------|----------------------|---------------|-------------------|---------------|----------------|----------------------|----------------|---------------------|----------------------|----------------------|
| Corporate | | | | | | | | | | | |
| PACCAR FINANCIAL CORP DTD 08/10/2023 4.950% 08/10/2028 | 69371RS64 | 975,000.00 | A+ | A1 | 8/17/2023 | 8/21/2023 | 970,407.75 | 5.06 | 6,837.19 | 971,896.57 | 992,601.68 |
| CITIBANK NA (CALLABLE) DTD 09/29/2023 5.803% 09/29/2028 | 17325FBB3 | 1,975,000.00 | A+ | Aa3 | 9/26/2023 | 9/29/2023 | 1,975,000.00 | 5.80 | 636.72 | 1,975,000.00 | 2,055,840.70 |
| STATE STREET CORP (CALLABLE) DTD 08/20/2024 4.530% 02/20/2029 | 857477CN1 | 685,000.00 | A | Aa3 | 8/14/2024 | 8/20/2024 | 685,000.00 | 4.53 | 3,534.03 | 685,000.00 | 684,941.78 |
| BLACKROCK FUNDING INC (CALLABLE) DTD 03/14/2024 4.700% 03/14/2029 | 09290DAA9 | 125,000.00 | AA- | Aa3 | 3/5/2024 | 3/14/2024 | 124,773.75 | 4.74 | 277.43 | 124,817.25 | 126,791.13 |
| ADOBE INC (CALLABLE) DTD 04/04/2024 4.800% 04/04/2029 | 00724PAF6 | 445,000.00 | A+ | A1 | 4/2/2024 | 4/4/2024 | 444,256.85 | 4.84 | 10,502.00 | 444,390.53 | 451,786.69 |
| ADOBE INC (CALLABLE) DTD 04/04/2024 4.800% 04/04/2029 | 00724PAF6 | 545,000.00 | A+ | A1 | 4/1/2024 | 4/4/2024 | 544,187.95 | 4.83 | 12,862.00 | 544,334.05 | 553,311.79 |
| MASTERCARD INC (CALLABLE) DTD 05/31/2019 2.950% 06/01/2029 | 57636QAM6 | 1,000,000.00 | A+ | Aa3 | 6/26/2024 | 6/27/2024 | 918,740.00 | 4.82 | 9,833.33 | 930,092.76 | 948,356.00 |
| PEPSICO INC (CALLABLE) DTD 07/17/2024 4.500% 07/17/2029 | 713448FX1 | 720,000.00 | A+ | A1 | 7/15/2024 | 7/17/2024 | 718,884.00 | 4.53 | 6,660.00 | 719,029.68 | 726,057.36 |
| ELI LILLY & CO (CALLABLE) DTD 08/14/2024 4.200% 08/14/2029 | 532457CQ9 | 855,000.00 | A+ | Aa3 | 8/13/2024 | 8/14/2024 | 856,248.30 | 4.17 | 4,688.25 | 856,106.16 | 849,357.86 |
| ELI LILLY & CO (CALLABLE) DTD 08/14/2024 4.200% 08/14/2029 | 532457CQ9 | 245,000.00 | A+ | Aa3 | 8/12/2024 | 8/14/2024 | 244,463.45 | 4.25 | 1,343.42 | 244,525.93 | 243,383.25 |
| PEPSICO INC (CALLABLE) DTD 02/07/2025 4.600% 02/07/2030 | 713448GB8 | 330,000.00 | A+ | A1 | 2/5/2025 | 2/7/2025 | 329,445.60 | 4.64 | 2,277.00 | 329,461.03 | 332,470.38 |
| Security Type Sub-Total | | 27,770,000.00 | | | | | 27,429,922.80 | 4.30 | 249,742.45 | 27,555,033.23 | 27,743,766.09 |
| Agency CMBS | | | | | | | | | | | |
| FHMS K061 A2 DTD 01/01/2017 3.347% 11/01/2026 | 3137BTUM1 | 934,954.64 | AA+ | Aaa | 5/19/2023 | 5/24/2023 | 906,175.58 | 4.29 | 2,607.74 | 921,398.13 | 918,765.90 |
| FHMS K064 A2 DTD 05/01/2017 3.224% 03/01/2027 | 3137BXQY1 | 1,320,000.00 | AA+ | Aaa | 8/16/2023 | 8/18/2023 | 1,245,131.25 | 4.94 | 3,546.40 | 1,278,784.67 | 1,294,786.68 |
| FHMS K066 A2 DTD 08/01/2017 3.117% 06/01/2027 | 3137F2LJ3 | 1,165,000.00 | AA+ | Aaa | 8/17/2023 | 8/22/2023 | 1,089,457.03 | 4.97 | 3,026.09 | 1,121,083.48 | 1,138,058.21 |

For the Quarter Ended March 31, 2025

ZONE 7 WATER AGENCY

Portfolio Holdings

| Security Type/Description Dated Date/Coupon/Maturity | CUSIP | Par | S&P Rating | Moody's Rating | Trade Date | Settle Date | Original Cost | YTM at Cost | Accrued Interest | Amortized Cost | Market Value |
|---|-----------|--------------|---------------|-------------------|---------------|----------------|------------------|----------------|---------------------|-------------------|-----------------|
| Agency CMBS | | | | | | | | | | | |
| FHMS K506 A1 DTD 09/01/2023 4.650% 05/01/2028 | 3137HAMG8 | 640,086.58 | AA+ | Aaa | 9/7/2023 | 9/14/2023 | 630,514.10 | 5.01 | 2,480.34 | 633,411.48 | 645,620.13 |
| FHMS KJ46 A1 DTD 07/01/2023 4.777% 06/01/2028 | 3137HAD45 | 1,070,900.85 | AA+ | Aaa | 7/19/2023 | 7/27/2023 | 1,070,874.07 | 4.78 | 4,263.08 | 1,070,883.22 | 1,077,402.29 |
| FHMS K505 A2 DTD 07/01/2023 4.819% 06/01/2028 | 3137HACX2 | 1,350,000.00 | AA+ | Aaa | 7/13/2023 | 7/20/2023 | 1,363,483.80 | 4.59 | 5,421.38 | 1,358,842.33 | 1,368,200.70 |
| FNA 2023-M6 A2 DTD 07/01/2023 4.190% 07/01/2028 | 3136BQDE6 | 1,313,407.21 | AA+ | Aaa | 7/18/2023 | 7/31/2023 | 1,291,140.85 | 4.58 | 4,585.98 | 1,298,587.79 | 1,304,837.23 |
| FHMS K508 A2 DTD 10/01/2023 4.740% 08/01/2028 | 3137HAQ74 | 1,325,000.00 | AA+ | Aaa | 10/11/2023 | 10/19/2023 | 1,295,934.80 | 5.25 | 5,233.75 | 1,303,836.53 | 1,340,691.97 |
| FHMS K506 A2 DTD 09/01/2023 4.650% 08/01/2028 | 3137HAMH6 | 1,300,000.00 | AA+ | Aaa | 9/7/2023 | 9/14/2023 | 1,280,769.10 | 4.99 | 5,037.50 | 1,286,263.53 | 1,311,763.70 |
| FHMS KJ47 A1 DTD 09/01/2023 5.272% 08/01/2028 | 3137HAMN3 | 685,597.21 | AA+ | Aaa | 9/19/2023 | 9/28/2023 | 685,593.77 | 5.27 | 3,012.06 | 685,595.07 | 698,250.59 |
| FHMS K507 A2 DTD 09/01/2023 4.800% 09/01/2028 | 3137HAMS2 | 1,300,000.00 | AA+ | Aaa | 9/20/2023 | 9/28/2023 | 1,284,461.10 | 5.07 | 5,200.00 | 1,288,566.17 | 1,317,940.00 |
| FHMS K509 A2 DTD 10/01/2023 4.850% 09/01/2028 | 3137HAST4 | 1,015,000.00 | AA+ | Aaa | 10/25/2023 | 10/31/2023 | 982,638.76 | 5.60 | 4,102.29 | 990,712.77 | 1,030,455.41 |
| FHMS K511 A2 DTD 12/01/2023 4.860% 10/01/2028 | 3137HB3G7 | 750,000.00 | AA+ | Aaa | 11/28/2023 | 12/7/2023 | 747,845.25 | 4.93 | 3,037.50 | 748,374.57 | 761,637.00 |
| FHMS K510 A2 DTD 11/01/2023 5.069% 10/01/2028 | 3137HB3D4 | 515,000.00 | AA+ | Aaa | 11/14/2023 | 11/21/2023 | 513,511.14 | 5.14 | 2,175.45 | 513,884.63 | 526,295.49 |
| FHMS K512 A2 DTD 12/01/2023 5.000% 11/01/2028 | 3137HBCF9 | 680,000.00 | AA+ | Aaa | 12/11/2023 | 12/21/2023 | 686,349.84 | 4.79 | 2,833.33 | 684,850.51 | 693,655.76 |
| FHMS K514 A2 DTD 02/01/2024 4.572% 12/01/2028 | 3137HBLV4 | 780,000.00 | AA+ | Aaa | 2/1/2024 | 2/8/2024 | 787,799.22 | 4.34 | 2,971.80 | 786,119.55 | 785,082.48 |
| FHMS K513 A2 DTD 01/01/2024 4.724% 12/01/2028 | 3137HBFY5 | 770,000.00 | AA+ | Aaa | 1/10/2024 | 1/18/2024 | 777,691.53 | 4.50 | 3,031.23 | 775,978.78 | 778,926.61 |
| FHMS K515 A2 DTD 02/01/2024 5.400% 01/01/2029 | 3137HBPD0 | 1,350,000.00 | AA+ | Aaa | 2/14/2024 | 2/22/2024 | 1,386,369.00 | 4.79 | 6,075.00 | 1,378,944.10 | 1,394,254.35 |
| FHMS K518 A2 DTD 03/01/2024 5.400% 01/01/2029 | 3137HC2L5 | 975,000.00 | AA+ | Aaa | 3/19/2024 | 3/28/2024 | 998,541.38 | 4.83 | 4,387.50 | 994,377.88 | 1,008,750.60 |
| FHMS K516 A2 DTD 03/01/2024 5.477% 01/01/2029 | 3137HBPM0 | 1,350,000.00 | AA+ | Aaa | 2/29/2024 | 3/7/2024 | 1,390,495.95 | 4.79 | 6,161.63 | 1,382,472.86 | 1,398,270.60 |

For the Quarter Ended March 31, 2025

ZONE 7 WATER AGENCY

Portfolio Holdings

| Security Type/Description Dated Date/Coupon/Maturity | CUSIP | Par | S&P Rating | Moody's Rating | Trade Date | Settle Date | Original Cost | YTM at Cost | Accrued Interest | Amortized Cost | Market Value |
|---|-----------|----------------------|---------------|-------------------|---------------|----------------|----------------------|----------------|---------------------|----------------------|----------------------|
| Agency CMBS | | | | | | | | | | | |
| FHMS K517 A2 DTD 03/01/2024 5.355% 01/01/2029 | 3137HC2C5 | 1,210,000.00 | AA+ | Aaa | 3/5/2024 | 3/14/2024 | 1,246,283.06 | 4.67 | 5,399.63 | 1,239,181.20 | 1,248,905.13 |
| FHMS K520 A2 DTD 04/01/2024 5.180% 03/01/2029 | 3137HCKV3 | 765,000.00 | AA+ | Aaa | 4/23/2024 | 4/30/2024 | 768,105.14 | 5.09 | 3,302.25 | 767,622.64 | 786,393.99 |
| FHMS K524 A2 DTD 07/01/2024 4.720% 05/01/2029 | 3137HDV56 | 1,145,000.00 | AA+ | Aaa | 7/16/2024 | 7/25/2024 | 1,152,031.44 | 4.58 | 4,503.67 | 1,151,230.93 | 1,159,321.66 |
| FHMS K522 A2 DTD 06/01/2024 4.803% 05/01/2029 | 3137HDJJ0 | 1,400,000.00 | AA+ | Aaa | 6/5/2024 | 6/13/2024 | 1,399,995.80 | 4.80 | 5,603.50 | 1,400,000.00 | 1,421,312.20 |
| FHMS K528 A2 DTD 09/01/2024 4.508% 07/01/2029 | 3137HFNZ4 | 510,000.00 | AA+ | Aaa | 9/4/2024 | 9/12/2024 | 520,189.80 | 4.06 | 1,915.90 | 519,136.25 | 512,423.01 |
| FHMS K526 A2 DTD 08/01/2024 4.543% 07/01/2029 | 3137HDXL9 | 1,300,000.00 | AA+ | Aaa | 8/7/2024 | 8/15/2024 | 1,312,160.20 | 4.33 | 4,921.58 | 1,310,762.93 | 1,307,911.80 |
| FHMS K530 A2 DTD 11/01/2024 4.792% 09/01/2029 | 3137HHJL6 | 1,465,000.00 | AA+ | Aaa | 11/19/2024 | 11/27/2024 | 1,472,628.26 | 4.67 | 5,850.23 | 1,472,253.21 | 1,488,467.84 |
| FHMS K529 A2 DTD 10/01/2024 4.791% 09/01/2029 | 3137HH6C0 | 855,000.00 | AA+ | Aaa | 10/8/2024 | 10/16/2024 | 872,088.89 | 4.34 | 3,413.59 | 870,659.62 | 868,622.72 |
| FHMS K533 A2 DTD 01/01/2025 4.230% 12/01/2029 | 3137HHW23 | 880,000.00 | AA+ | Aaa | 1/7/2025 | 1/16/2025 | 857,259.92 | 4.82 | 3,102.00 | 858,110.85 | 874,095.20 |
| Security Type Sub-Total | | 30,119,946.49 | | | | | 30,015,520.03 | 4.79 | 117,202.40 | 30,091,925.68 | 30,461,099.25 |
| ABS | | | | | | | | | | | |
| CCCIT 2023-A1 A1 DTD 12/11/2023 5.230% 12/08/2027 | 17305EGW9 | 295,000.00 | AAA | Aaa | 12/4/2023 | 12/11/2023 | 294,963.01 | 5.23 | 4,842.83 | 294,974.45 | 296,316.88 |
| TAOT 2023-D A3 DTD 11/14/2023 5.540% 08/15/2028 | 89239FAD4 | 265,000.00 | AAA | NR | 11/7/2023 | 11/14/2023 | 264,971.43 | 5.54 | 652.49 | 264,979.67 | 268,973.94 |
| AMXCA 2023-3 A DTD 09/19/2023 5.230% 09/15/2028 | 02582JKD1 | 1,070,000.00 | AAA | NR | 9/12/2023 | 9/19/2023 | 1,069,952.17 | 5.23 | 2,487.16 | 1,069,966.24 | 1,082,915.97 |
| CHAIT 2023-A1 A DTD 09/15/2023 5.160% 09/15/2028 | 161571HT4 | 1,045,000.00 | AAA | NR | 9/7/2023 | 9/15/2023 | 1,044,710.33 | 5.17 | 2,396.53 | 1,044,792.06 | 1,056,690.42 |
| HART 2023-C A3 DTD 11/13/2023 5.540% 10/16/2028 | 44918CAD4 | 395,000.00 | AAA | NR | 11/3/2023 | 11/13/2023 | 394,948.06 | 5.54 | 972.58 | 394,961.97 | 400,153.96 |
| BACCT 2023-A2 A2 DTD 12/14/2023 4.980% 11/15/2028 | 05522RDH8 | 480,000.00 | NR | Aaa | 12/7/2023 | 12/14/2023 | 479,935.54 | 4.98 | 1,062.40 | 479,952.37 | 485,259.36 |

For the Quarter Ended March 31, 2025

ZONE 7 WATER AGENCY

Portfolio Holdings

| Security Type/Description Dated Date/Coupon/Maturity | CUSIP | Par | S&P Rating | Moody's Rating | Trade Date | Settle Date | Original Cost | YTM at Cost | Accrued Interest | Amortized Cost | Market Value |
|---|-----------|------------------|---------------|-------------------|---------------|----------------|------------------|----------------|---------------------|-------------------|------------------|
| ABS | | | | | | | | | | | |
| GMCAR 2024-1 A3 DTD 01/17/2024 4.850% 12/18/2028 | 36268GAD7 | 130,000.00 | NR | Aaa | 1/9/2024 | 1/17/2024 | 129,973.86 | 4.85 | 262.71 | 129,979.72 | 130,728.39 |
| CHAIT 2024-A1 A DTD 01/31/2024 4.600% 01/16/2029 | 161571HV9 | 1,175,000.00 | AAA | NR | 1/24/2024 | 1/31/2024 | 1,174,821.05 | 4.60 | 2,402.22 | 1,174,861.25 | 1,181,366.15 |
| HAROT 2025-1 A3 DTD 02/11/2025 4.570% 09/21/2029 | 43814VAC1 | 1,070,000.00 | AAA | NR | 2/4/2025 | 2/11/2025 | 1,069,967.04 | 4.57 | 1,358.31 | 1,069,969.76 | 1,075,046.12 |
| HART 2025-A A3 DTD 03/12/2025 4.320% 10/15/2029 | 44935CAD3 | 935,000.00 | AAA | NR | 3/4/2025 | 3/12/2025 | 934,862.09 | 4.32 | 2,131.80 | 934,865.35 | 933,504.00 |
| Security Type Sub-Total | | 6,860,000.00 | | | | | 6,859,104.58 | 4.89 | 18,569.03 | 6,859,302.84 | 6,910,955.19 |
| Managed Account Sub Total | | 149,304,946.49 | | | | | 145,994,146.42 | 3.94 | 959,348.37 | 148,061,825.60 | 147,995,885.65 |
| Securities Sub Total | | \$149,304,946.49 | | | | | \$145,994,146.42 | 3.94% | \$959,348.37 | \$148,061,825.60 | \$147,995,885.65 |
| Accrued Interest | | | | | | | | | | | \$959,348.37 |
| Total Investments | | | | | | | | | | | \$148,955,234.02 |

For the Quarter Ended March 31, 2025

ZONE 7 WATER AGENCY

Portfolio Activity

Quarterly Portfolio Transactions

| Trade Date | Settle Date | Par (\$) | CUSIP | Security Description | Coupon | Maturity Date | Transact Amount (\$) | Yield at Market | Realized G/L (BV) |
|------------------|-------------|----------------------|-----------|-------------------------|--------|---------------|----------------------|-----------------|-------------------|
| BUY | | | | | | | | | |
| 1/7/2025 | 1/16/2025 | 880,000.00 | 3137HHW23 | FHMS K533 A2 | 4.23% | 12/1/2029 | 858,810.92 | 4.82% | |
| 1/9/2025 | 1/9/2025 | 460,000.00 | 912797LY1 | TREASURY BILL | 0.00% | 1/16/2025 | 459,626.57 | 4.17% | |
| 2/4/2025 | 2/5/2025 | 1,070,000.00 | 912797NG8 | TREASURY BILL | 0.00% | 2/11/2025 | 1,069,248.41 | 4.21% | |
| 2/4/2025 | 2/5/2025 | 1,915,000.00 | 91282CMG3 | US TREASURY N/B | 4.25% | 1/31/2030 | 1,909,017.69 | 4.33% | |
| 2/4/2025 | 2/11/2025 | 1,070,000.00 | 43814VAC1 | HAROT 2025-1 A3 | 4.57% | 9/21/2029 | 1,069,967.04 | 4.57% | |
| 2/5/2025 | 2/7/2025 | 330,000.00 | 713448GB8 | PEPSICO INC (CALLABLE) | 4.60% | 2/7/2030 | 329,445.60 | 4.64% | |
| 3/4/2025 | 3/5/2025 | 5,065,000.00 | 91282CGQ8 | US TREASURY N/B | 4.00% | 2/28/2030 | 5,078,041.00 | 3.95% | |
| 3/4/2025 | 3/12/2025 | 935,000.00 | 44935CAD3 | HART 2025-A A3 | 4.32% | 10/15/2029 | 934,862.09 | 4.32% | |
| 3/5/2025 | 3/6/2025 | 935,000.00 | 313385CY0 | FED HOME LN DISCOUNT NT | 0.00% | 3/12/2025 | 934,353.29 | 4.15% | |
| Total BUY | | 12,660,000.00 | | | | | 12,643,372.61 | | 0.00 |
| INTEREST | | | | | | | | | |
| 1/1/2025 | 1/25/2025 | | 3137HBPD0 | FHMS K515 A2 | 5.40% | 1/1/2029 | 6,075.00 | | |
| 1/1/2025 | 1/25/2025 | | 3137HAMN3 | FHMS KJ47 A1 | 5.27% | 8/1/2028 | 3,037.32 | | |
| 1/1/2025 | 1/25/2025 | | 3137BTUM1 | FHMS K061 A2 | 3.34% | 11/1/2026 | 2,624.33 | | |
| 1/1/2025 | 1/25/2025 | | 3137HBFY5 | FHMS K513 A2 | 4.72% | 12/1/2028 | 3,031.23 | | |
| 1/1/2025 | 1/25/2025 | | 3137HHJL6 | FHMS K530 A2 | 4.79% | 9/1/2029 | 5,850.23 | | |
| 1/1/2025 | 1/25/2025 | | 3137HAMS2 | FHMS K507 A2 | 4.80% | 9/1/2028 | 5,200.00 | | |

For the Quarter Ended March 31, 2025

ZONE 7 WATER AGENCY

Portfolio Activity

Quarterly Portfolio Transactions

| Trade Date | Settle Date | Par (\$) | CUSIP | Security Description | Coupon | Maturity Date | Transact Amount (\$) | Yield at Market | Realized G/L (BV) |
|------------|-------------|----------|-----------|----------------------|--------|---------------|----------------------|-----------------|-------------------|
| INTEREST | | | | | | | | | |
| 1/1/2025 | 1/25/2025 | | 3137BXQY1 | FHMS K064 A2 | 3.22% | 3/1/2027 | 3,546.40 | | |
| 1/1/2025 | 1/25/2025 | | 3137HCKV3 | FHMS K520 A2 | 5.18% | 3/1/2029 | 3,302.25 | | |
| 1/1/2025 | 1/25/2025 | | 3137HBCF9 | FHMS K512 A2 | 5.00% | 11/1/2028 | 2,833.33 | | |
| 1/1/2025 | 1/25/2025 | | 3137HACX2 | FHMS K505 A2 | 4.81% | 6/1/2028 | 5,421.38 | | |
| 1/1/2025 | 1/25/2025 | | 3137HC2L5 | FHMS K518 A2 | 5.40% | 1/1/2029 | 4,387.50 | | |
| 1/1/2025 | 1/25/2025 | | 3137HAMG8 | FHMS K506 A1 | 4.65% | 5/1/2028 | 2,487.29 | | |
| 1/1/2025 | 1/25/2025 | | 3137HDXL9 | FHMS K526 A2 | 4.54% | 7/1/2029 | 4,921.58 | | |
| 1/1/2025 | 1/25/2025 | | 3137HAMH6 | FHMS K506 A2 | 4.65% | 8/1/2028 | 5,037.50 | | |
| 1/1/2025 | 1/25/2025 | | 3136BQDE6 | FNA 2023-M6 A2 | 4.19% | 7/1/2028 | 4,577.92 | | |
| 1/1/2025 | 1/25/2025 | | 3137F2LJ3 | FHMS K066 A2 | 3.11% | 6/1/2027 | 3,026.09 | | |
| 1/1/2025 | 1/25/2025 | | 3137HFNZ4 | FHMS K528 A2 | 4.50% | 7/1/2029 | 1,915.90 | | |
| 1/1/2025 | 1/25/2025 | | 3137HAD45 | FHMS KJ46 A1 | 4.77% | 6/1/2028 | 4,274.68 | | |
| 1/1/2025 | 1/25/2025 | | 3137HC2C5 | FHMS K517 A2 | 5.35% | 1/1/2029 | 5,399.63 | | |
| 1/1/2025 | 1/25/2025 | | 3137HH6C0 | FHMS K529 A2 | 4.79% | 9/1/2029 | 3,413.59 | | |
| 1/1/2025 | 1/25/2025 | | 3137HBLV4 | FHMS K514 A2 | 4.57% | 12/1/2028 | 2,971.80 | | |
| 1/1/2025 | 1/25/2025 | | 3137HB3G7 | FHMS K511 A2 | 4.86% | 10/1/2028 | 3,037.50 | | |
| 1/1/2025 | 1/25/2025 | | 3137HDJJ0 | FHMS K522 A2 | 4.80% | 5/1/2029 | 5,603.50 | | |

For the Quarter Ended March 31, 2025

ZONE 7 WATER AGENCY

Portfolio Activity

Quarterly Portfolio Transactions

| Trade Date | Settle Date | Par (\$) | CUSIP | Security Description | Coupon | Maturity Date | Transact Amount (\$) | Yield at Market | Realized G/L (BV) |
|------------|-------------|----------|-----------|--------------------------|--------|---------------|----------------------|-----------------|-------------------|
| INTEREST | | | | | | | | | |
| 1/1/2025 | 1/25/2025 | | 3137HAST4 | FHMS K509 A2 | 4.85% | 9/1/2028 | 4,102.29 | | |
| 1/1/2025 | 1/25/2025 | | 3137HB3D4 | FHMS K510 A2 | 5.06% | 10/1/2028 | 2,175.45 | | |
| 1/1/2025 | 1/25/2025 | | 3137HBPM0 | FHMS K516 A2 | 5.47% | 1/1/2029 | 6,161.63 | | |
| 1/1/2025 | 1/25/2025 | | 3137HAQ74 | FHMS K508 A2 | 4.74% | 8/1/2028 | 5,233.75 | | |
| 1/1/2025 | 1/25/2025 | | 3137HDV56 | FHMS K524 A2 | 4.72% | 5/1/2029 | 4,503.67 | | |
| 1/2/2025 | 1/2/2025 | | MONEY0002 | MONEY MARKET FUND | 0.00% | | 21,489.48 | | |
| 1/12/2025 | 1/12/2025 | | 89236TKQ7 | TOYOTA MOTOR CREDIT CORP | 4.62% | 1/12/2028 | 22,662.50 | | |
| 1/14/2025 | 1/14/2025 | | 24422EXB0 | JOHN DEERE CAPITAL CORP | 4.95% | 7/14/2028 | 24,626.25 | | |
| 1/15/2025 | 1/15/2025 | | 44918CAD4 | HART 2023-C A3 | 5.54% | 10/16/2028 | 1,823.58 | | |
| 1/15/2025 | 1/15/2025 | | 161571HV9 | CHAIT 2024-A1 A | 4.60% | 1/16/2029 | 4,504.17 | | |
| 1/15/2025 | 1/15/2025 | | 161571HT4 | CHAIT 2023-A1 A | 5.16% | 9/15/2028 | 4,493.50 | | |
| 1/15/2025 | 1/15/2025 | | 89239FAD4 | TAOT 2023-D A3 | 5.54% | 8/15/2028 | 1,223.42 | | |
| 1/15/2025 | 1/15/2025 | | 05522RDH8 | BACCT 2023-A2 A2 | 4.98% | 11/15/2028 | 1,992.00 | | |
| 1/15/2025 | 1/15/2025 | | 87612EBM7 | TARGET CORP (CALLABLE) | 1.95% | 1/15/2027 | 13,406.25 | | |
| 1/15/2025 | 1/15/2025 | | 02582JKD1 | AMXCA 2023-3 A | 5.23% | 9/15/2028 | 4,663.42 | | |
| 1/16/2025 | 1/16/2025 | | 36268GAD7 | GMCAR 2024-1 A3 | 4.85% | 12/18/2028 | 525.42 | | |
| 1/17/2025 | 1/17/2025 | | 713448FX1 | PEPSICO INC (CALLABLE) | 4.50% | 7/17/2029 | 16,200.00 | | |

For the Quarter Ended March 31, 2025

ZONE 7 WATER AGENCY

Portfolio Activity

Quarterly Portfolio Transactions

| Trade Date | Settle Date | Par (\$) | CUSIP | Security Description | Coupon | Maturity Date | Transact Amount (\$) | Yield at Market | Realized G/L (BV) |
|------------|-------------|----------|-----------|-------------------------|--------|---------------|----------------------|-----------------|-------------------|
| INTEREST | | | | | | | | | |
| 1/17/2025 | 1/17/2025 | | 21684LGS5 | COOPERAT RABOBANK UA/NY | 5.08% | 7/17/2026 | 34,290.00 | | |
| 1/31/2025 | 1/31/2025 | | 91282CLC3 | US TREASURY N/B | 4.00% | 7/31/2029 | 4,600.00 | | |
| 1/31/2025 | 1/31/2025 | | 91282CBH3 | US TREASURY N/B | 0.37% | 1/31/2026 | 5,925.00 | | |
| 2/1/2025 | 2/25/2025 | | 3137HACX2 | FHMS K505 A2 | 4.81% | 6/1/2028 | 5,421.38 | | |
| 2/1/2025 | 2/25/2025 | | 3137BTUM1 | FHMS K061 A2 | 3.34% | 11/1/2026 | 2,619.13 | | |
| 2/1/2025 | 2/25/2025 | | 3137HCKV3 | FHMS K520 A2 | 5.18% | 3/1/2029 | 3,302.25 | | |
| 2/1/2025 | 2/25/2025 | | 3137HBCF9 | FHMS K512 A2 | 5.00% | 11/1/2028 | 2,833.33 | | |
| 2/1/2025 | 2/25/2025 | | 3137HB3D4 | FHMS K510 A2 | 5.06% | 10/1/2028 | 2,175.45 | | |
| 2/1/2025 | 2/25/2025 | | 3137HAQ74 | FHMS K508 A2 | 4.74% | 8/1/2028 | 5,233.75 | | |
| 2/1/2025 | 2/25/2025 | | 3137HDXL9 | FHMS K526 A2 | 4.54% | 7/1/2029 | 4,921.58 | | |
| 2/1/2025 | 2/25/2025 | | 3137HFNZ4 | FHMS K528 A2 | 4.50% | 7/1/2029 | 1,915.90 | | |
| 2/1/2025 | 2/25/2025 | | 3137HDJJ0 | FHMS K522 A2 | 4.80% | 5/1/2029 | 5,603.50 | | |
| 2/1/2025 | 2/25/2025 | | 3137HAST4 | FHMS K509 A2 | 4.85% | 9/1/2028 | 4,102.29 | | |
| 2/1/2025 | 2/25/2025 | | 3137HAD45 | FHMS KJ46 A1 | 4.77% | 6/1/2028 | 4,271.71 | | |
| 2/1/2025 | 2/25/2025 | | 3137BXQY1 | FHMS K064 A2 | 3.22% | 3/1/2027 | 3,546.40 | | |
| 2/1/2025 | 2/25/2025 | | 3137F2LJ3 | FHMS K066 A2 | 3.11% | 6/1/2027 | 3,026.09 | | |
| 2/1/2025 | 2/25/2025 | | 3136BQDE6 | FNA 2023-M6 A2 | 4.19% | 7/1/2028 | 4,576.78 | | |

For the Quarter Ended March 31, 2025

ZONE 7 WATER AGENCY

Portfolio Activity

Quarterly Portfolio Transactions

| Trade Date | Settle Date | Par (\$) | CUSIP | Security Description | Coupon | Maturity Date | Transact Amount (\$) | Yield at Market | Realized G/L (BV) |
|------------|-------------|----------|-----------|---------------------------|--------|---------------|----------------------|-----------------|-------------------|
| INTEREST | | | | | | | | | |
| 2/1/2025 | 2/25/2025 | | 3137HAMH6 | FHMS K506 A2 | 4.65% | 8/1/2028 | 5,037.50 | | |
| 2/1/2025 | 2/25/2025 | | 3137HH6C0 | FHMS K529 A2 | 4.79% | 9/1/2029 | 3,413.59 | | |
| 2/1/2025 | 2/25/2025 | | 3137HBLV4 | FHMS K514 A2 | 4.57% | 12/1/2028 | 2,971.80 | | |
| 2/1/2025 | 2/25/2025 | | 3137HB3G7 | FHMS K511 A2 | 4.86% | 10/1/2028 | 3,037.50 | | |
| 2/1/2025 | 2/25/2025 | | 3137HAMN3 | FHMS KJ47 A1 | 5.27% | 8/1/2028 | 3,030.81 | | |
| 2/1/2025 | 2/25/2025 | | 3137HDV56 | FHMS K524 A2 | 4.72% | 5/1/2029 | 4,503.67 | | |
| 2/1/2025 | 2/25/2025 | | 3137HC2L5 | FHMS K518 A2 | 5.40% | 1/1/2029 | 4,387.50 | | |
| 2/1/2025 | 2/25/2025 | | 3137HAMG8 | FHMS K506 A1 | 4.65% | 5/1/2028 | 2,485.27 | | |
| 2/1/2025 | 2/25/2025 | | 3137HHW23 | FHMS K533 A2 | 4.23% | 12/1/2029 | 3,102.00 | | |
| 2/1/2025 | 2/25/2025 | | 3137HAMS2 | FHMS K507 A2 | 4.80% | 9/1/2028 | 5,200.00 | | |
| 2/1/2025 | 2/25/2025 | | 3137HC2C5 | FHMS K517 A2 | 5.35% | 1/1/2029 | 5,399.63 | | |
| 2/1/2025 | 2/25/2025 | | 3137HBFY5 | FHMS K513 A2 | 4.72% | 12/1/2028 | 3,031.23 | | |
| 2/1/2025 | 2/25/2025 | | 3137HBPM0 | FHMS K516 A2 | 5.47% | 1/1/2029 | 6,161.63 | | |
| 2/1/2025 | 2/25/2025 | | 3137HHJL6 | FHMS K530 A2 | 4.79% | 9/1/2029 | 5,850.23 | | |
| 2/1/2025 | 2/25/2025 | | 3137HBPD0 | FHMS K515 A2 | 5.40% | 1/1/2029 | 6,075.00 | | |
| 2/3/2025 | 2/3/2025 | | MONEY0002 | MONEY MARKET FUND | 0.00% | | 19,019.97 | | |
| 2/6/2025 | 2/6/2025 | | 594918BY9 | MICROSOFT CORP (CALLABLE) | 3.30% | 2/6/2027 | 34,237.50 | | |

For the Quarter Ended March 31, 2025

ZONE 7 WATER AGENCY

Portfolio Activity

Quarterly Portfolio Transactions

| Trade Date | Settle Date | Par (\$) | CUSIP | Security Description | Coupon | Maturity Date | Transact Amount (\$) | Yield at Market | Realized G/L (BV) |
|------------|-------------|----------|-----------|--------------------------------|--------|---------------|----------------------|-----------------|-------------------|
| INTEREST | | | | | | | | | |
| 2/7/2025 | 2/7/2025 | | 94988J6D4 | WELLS FARGO BANK NA (CALLABLE) | 5.45% | 8/7/2026 | 53,001.25 | | |
| 2/10/2025 | 2/10/2025 | | 69371RS64 | PACCAR FINANCIAL CORP | 4.95% | 8/10/2028 | 24,131.25 | | |
| 2/14/2025 | 2/14/2025 | | 532457CQ9 | ELI LILLY & CO (CALLABLE) | 4.20% | 8/14/2029 | 23,100.00 | | |
| 2/15/2025 | 2/15/2025 | | 9128282R0 | US TREASURY N/B | 2.25% | 8/15/2027 | 28,912.50 | | |
| 2/15/2025 | 2/15/2025 | | 89239FAD4 | TAOT 2023-D A3 | 5.54% | 8/15/2028 | 1,223.42 | | |
| 2/15/2025 | 2/15/2025 | | 912828V98 | US TREASURY N/B | 2.25% | 2/15/2027 | 59,625.00 | | |
| 2/15/2025 | 2/15/2025 | | 44918CAD4 | HART 2023-C A3 | 5.54% | 10/16/2028 | 1,823.58 | | |
| 2/15/2025 | 2/15/2025 | | 05522RDH8 | BACCT 2023-A2 A2 | 4.98% | 11/15/2028 | 1,992.00 | | |
| 2/15/2025 | 2/15/2025 | | 161571HT4 | CHAIT 2023-A1 A | 5.16% | 9/15/2028 | 4,493.50 | | |
| 2/15/2025 | 2/15/2025 | | 161571HV9 | CHAIT 2024-A1 A | 4.60% | 1/16/2029 | 4,504.17 | | |
| 2/15/2025 | 2/15/2025 | | 02582JKD1 | AMXCA 2023-3 A | 5.23% | 9/15/2028 | 4,663.42 | | |
| 2/16/2025 | 2/16/2025 | | 36268GAD7 | GMCAR 2024-1 A3 | 4.85% | 12/18/2028 | 525.42 | | |
| 2/20/2025 | 2/20/2025 | | 857477CN1 | STATE STREET CORP (CALLABLE) | 4.53% | 2/20/2029 | 15,515.25 | | |
| 2/28/2025 | 2/28/2025 | | 91282CGP0 | US TREASURY N/B | 4.00% | 2/29/2028 | 12,000.00 | | |
| 2/28/2025 | 2/28/2025 | | 91282CLK5 | US TREASURY N/B | 3.62% | 8/31/2029 | 61,987.50 | | |
| 3/1/2025 | 3/25/2025 | | 3137HBCF9 | FHMS K512 A2 | 5.00% | 11/1/2028 | 2,833.33 | | |
| 3/1/2025 | 3/25/2025 | | 3137HCKV3 | FHMS K520 A2 | 5.18% | 3/1/2029 | 3,302.25 | | |

For the Quarter Ended March 31, 2025

ZONE 7 WATER AGENCY

Portfolio Activity

Quarterly Portfolio Transactions

| Trade Date | Settle Date | Par (\$) | CUSIP | Security Description | Coupon | Maturity Date | Transact Amount (\$) | Yield at Market | Realized G/L (BV) |
|------------|-------------|----------|-----------|----------------------|--------|---------------|----------------------|-----------------|-------------------|
| INTEREST | | | | | | | | | |
| 3/1/2025 | 3/25/2025 | | 3137HHJL6 | FHMS K530 A2 | 4.79% | 9/1/2029 | 5,850.23 | | |
| 3/1/2025 | 3/25/2025 | | 3137HB3G7 | FHMS K511 A2 | 4.86% | 10/1/2028 | 3,037.50 | | |
| 3/1/2025 | 3/25/2025 | | 3137BXQY1 | FHMS K064 A2 | 3.22% | 3/1/2027 | 3,546.40 | | |
| 3/1/2025 | 3/25/2025 | | 3137HB3D4 | FHMS K510 A2 | 5.06% | 10/1/2028 | 2,175.45 | | |
| 3/1/2025 | 3/25/2025 | | 3137HBFY5 | FHMS K513 A2 | 4.72% | 12/1/2028 | 3,031.23 | | |
| 3/1/2025 | 3/25/2025 | | 3137HDJJ0 | FHMS K522 A2 | 4.80% | 5/1/2029 | 5,603.50 | | |
| 3/1/2025 | 3/25/2025 | | 3137HDV56 | FHMS K524 A2 | 4.72% | 5/1/2029 | 4,503.67 | | |
| 3/1/2025 | 3/25/2025 | | 3137HDXL9 | FHMS K526 A2 | 4.54% | 7/1/2029 | 4,921.58 | | |
| 3/1/2025 | 3/25/2025 | | 3137HAD45 | FHMS KJ46 A1 | 4.77% | 6/1/2028 | 4,268.43 | | |
| 3/1/2025 | 3/25/2025 | | 3137HFNZ4 | FHMS K528 A2 | 4.50% | 7/1/2029 | 1,915.90 | | |
| 3/1/2025 | 3/25/2025 | | 3137BTUM1 | FHMS K061 A2 | 3.34% | 11/1/2026 | 2,613.92 | | |
| 3/1/2025 | 3/25/2025 | | 3137HAMH6 | FHMS K506 A2 | 4.65% | 8/1/2028 | 5,037.50 | | |
| 3/1/2025 | 3/25/2025 | | 3137HBPD0 | FHMS K515 A2 | 5.40% | 1/1/2029 | 6,075.00 | | |
| 3/1/2025 | 3/25/2025 | | 3136BQDE6 | FNA 2023-M6 A2 | 4.19% | 7/1/2028 | 4,576.79 | | |
| 3/1/2025 | 3/25/2025 | | 3137HC2C5 | FHMS K517 A2 | 5.35% | 1/1/2029 | 5,399.63 | | |
| 3/1/2025 | 3/25/2025 | | 3137F2LJ3 | FHMS K066 A2 | 3.11% | 6/1/2027 | 3,026.09 | | |
| 3/1/2025 | 3/25/2025 | | 3137HAMG8 | FHMS K506 A1 | 4.65% | 5/1/2028 | 2,483.24 | | |

For the Quarter Ended March 31, 2025

ZONE 7 WATER AGENCY

Portfolio Activity

Quarterly Portfolio Transactions

| Trade Date | Settle Date | Par (\$) | CUSIP | Security Description | Coupon | Maturity Date | Transact Amount (\$) | Yield at Market | Realized G/L (BV) |
|------------|-------------|----------|-----------|----------------------------------|--------|---------------|----------------------|-----------------|-------------------|
| INTEREST | | | | | | | | | |
| 3/1/2025 | 3/25/2025 | | 3137HAQ74 | FHMS K508 A2 | 4.74% | 8/1/2028 | 5,233.75 | | |
| 3/1/2025 | 3/25/2025 | | 3137HBLV4 | FHMS K514 A2 | 4.57% | 12/1/2028 | 2,971.80 | | |
| 3/1/2025 | 3/25/2025 | | 3137HHW23 | FHMS K533 A2 | 4.23% | 12/1/2029 | 3,102.00 | | |
| 3/1/2025 | 3/25/2025 | | 3137HAMS2 | FHMS K507 A2 | 4.80% | 9/1/2028 | 5,200.00 | | |
| 3/1/2025 | 3/25/2025 | | 3137HAMN3 | FHMS KJ47 A1 | 5.27% | 8/1/2028 | 3,024.25 | | |
| 3/1/2025 | 3/25/2025 | | 3137HAST4 | FHMS K509 A2 | 4.85% | 9/1/2028 | 4,102.29 | | |
| 3/1/2025 | 3/25/2025 | | 3137HACX2 | FHMS K505 A2 | 4.81% | 6/1/2028 | 5,421.38 | | |
| 3/1/2025 | 3/25/2025 | | 3137HBPM0 | FHMS K516 A2 | 5.47% | 1/1/2029 | 6,161.63 | | |
| 3/1/2025 | 3/25/2025 | | 3137HC2L5 | FHMS K518 A2 | 5.40% | 1/1/2029 | 4,387.50 | | |
| 3/1/2025 | 3/25/2025 | | 3137HH6C0 | FHMS K529 A2 | 4.79% | 9/1/2029 | 3,413.59 | | |
| 3/3/2025 | 3/3/2025 | | MONEY0002 | MONEY MARKET FUND | 0.00% | | 17,062.13 | | |
| 3/11/2025 | 3/11/2025 | | 06051GJQ3 | BANK OF AMERICA CORP (CALLABLE) | 1.65% | 3/11/2027 | 17,989.30 | | |
| 3/14/2025 | 3/14/2025 | | 437076BT8 | HOME DEPOT INC (CALLABLE) | 2.80% | 9/14/2027 | 19,460.00 | | |
| 3/14/2025 | 3/14/2025 | | 09290DAA9 | BLACKROCK FUNDING INC (CALLABLE) | 4.70% | 3/14/2029 | 2,937.50 | | |
| 3/15/2025 | 3/15/2025 | | 161571HT4 | CHAIT 2023-A1 A | 5.16% | 9/15/2028 | 4,493.50 | | |
| 3/15/2025 | 3/15/2025 | | 89239FAD4 | TAOT 2023-D A3 | 5.54% | 8/15/2028 | 1,223.42 | | |
| 3/15/2025 | 3/15/2025 | | 161571HV9 | CHAIT 2024-A1 A | 4.60% | 1/16/2029 | 4,504.17 | | |

Quarterly Portfolio Transactions

| Trade Date | Settle Date | Par (\$) | CUSIP | Security Description | Coupon | Maturity Date | Transact Amount (\$) | Yield at Market | Realized G/L (BV) |
|----------------|-------------|--------------|-----------|-------------------------|--------|---------------|----------------------|-----------------|-------------------|
| INTEREST | | | | | | | | | |
| 3/15/2025 | 3/15/2025 | | 44918CAD4 | HART 2023-C A3 | 5.54% | 10/16/2028 | 1,823.58 | | |
| 3/15/2025 | 3/15/2025 | | 02582JKD1 | AMXCA 2023-3 A | 5.23% | 9/15/2028 | 4,663.42 | | |
| 3/15/2025 | 3/15/2025 | | 05522RDH8 | BACCT 2023-A2 A2 | 4.98% | 11/15/2028 | 1,992.00 | | |
| 3/16/2025 | 3/16/2025 | | 36268GAD7 | GMCAR 2024-1 A3 | 4.85% | 12/18/2028 | 525.42 | | |
| 3/21/2025 | 3/21/2025 | | 43814VAC1 | HAROT 2025-1 A3 | 4.57% | 9/21/2029 | 5,433.22 | | |
| 3/29/2025 | 3/29/2025 | | 17325FBB3 | CITIBANK NA (CALLABLE) | 5.80% | 9/29/2028 | 57,304.63 | | |
| 3/31/2025 | 3/31/2025 | | 91282CBT7 | US TREASURY N/B | 0.75% | 3/31/2026 | 21,225.00 | | |
| 3/31/2025 | 3/31/2025 | | 91282CCZ2 | US TREASURY N/B | 0.87% | 9/30/2026 | 14,962.50 | | |
| 3/31/2025 | 3/31/2025 | | 91282CGT2 | US TREASURY N/B | 3.62% | 3/31/2028 | 15,406.25 | | |
| 3/31/2025 | 3/31/2025 | | 91282CFM8 | US TREASURY N/B | 4.12% | 9/30/2027 | 18,046.88 | | |
| Total INTEREST | | 0.00 | | | | | 1,070,843.11 | | 0.00 |
| MATURITY | | | | | | | | | |
| 1/16/2025 | 1/16/2025 | 460,000.00 | 912797LY1 | TREASURY BILL | 0.00% | 1/16/2025 | 460,000.00 | | |
| 2/11/2025 | 2/11/2025 | 1,070,000.00 | 912797NG8 | TREASURY BILL | 0.00% | 2/11/2025 | 1,070,000.00 | | |
| 3/12/2025 | 3/12/2025 | 935,000.00 | 313385CY0 | FED HOME LN DISCOUNT NT | 0.00% | 3/12/2025 | 935,000.00 | | |
| Total MATURITY | | 2,465,000.00 | | | | | 2,465,000.00 | | 0.00 |

For the Quarter Ended March 31, 2025

ZONE 7 WATER AGENCY

Portfolio Activity

Quarterly Portfolio Transactions

| Trade Date | Settle Date | Par (\$) | CUSIP | Security Description | Coupon | Maturity Date | Transact Amount (\$) | Yield at Market | Realized G/L (BV) |
|-----------------------|-------------|------------------|-----------|----------------------|--------|---------------|----------------------|-----------------|-------------------|
| PAYDOWNS | | | | | | | | | |
| 1/1/2025 | 1/25/2025 | 521.36 | 3137HAMG8 | FHMS K506 A1 | 4.65% | 5/1/2028 | 521.36 | | 5.83 |
| 1/1/2025 | 1/25/2025 | 1,482.21 | 3137HAMN3 | FHMS KJ47 A1 | 5.27% | 8/1/2028 | 1,482.21 | | |
| 1/1/2025 | 1/25/2025 | 744.03 | 3137HAD45 | FHMS KJ46 A1 | 4.77% | 6/1/2028 | 744.03 | | 0.02 |
| 1/1/2025 | 1/25/2025 | 1,864.08 | 3137BTUM1 | FHMS K061 A2 | 3.34% | 11/1/2026 | 1,864.08 | | 31.13 |
| 1/1/2025 | 1/25/2025 | 443.84 | 3136BQDE6 | FNA 2023-M6 A2 | 4.19% | 7/1/2028 | 443.84 | | 5.38 |
| 2/1/2025 | 2/25/2025 | 1,870.33 | 3137BTUM1 | FHMS K061 A2 | 3.34% | 11/1/2026 | 1,870.33 | | 29.86 |
| 2/1/2025 | 2/25/2025 | 825.28 | 3137HAD45 | FHMS KJ46 A1 | 4.77% | 6/1/2028 | 825.28 | | 0.01 |
| 2/1/2025 | 2/25/2025 | 523.81 | 3137HAMG8 | FHMS K506 A1 | 4.65% | 5/1/2028 | 523.81 | | 5.73 |
| 2/1/2025 | 2/25/2025 | 6.86 | 3136BQDE6 | FNA 2023-M6 A2 | 4.19% | 7/1/2028 | 6.86 | | 0.08 |
| 2/1/2025 | 2/25/2025 | 1,491.01 | 3137HAMN3 | FHMS KJ47 A1 | 5.27% | 8/1/2028 | 1,491.01 | | 0.01 |
| 3/1/2025 | 3/25/2025 | 1,344.23 | 3137HAD45 | FHMS KJ46 A1 | 4.77% | 6/1/2028 | 1,344.23 | | 0.02 |
| 3/1/2025 | 3/25/2025 | 2,213.47 | 3137BTUM1 | FHMS K061 A2 | 3.34% | 11/1/2026 | 2,213.47 | | 33.72 |
| 3/1/2025 | 3/25/2025 | 2,776.42 | 3137HAMN3 | FHMS KJ47 A1 | 5.27% | 8/1/2028 | 2,776.42 | | 0.01 |
| 3/1/2025 | 3/25/2025 | 750.65 | 3137HAMG8 | FHMS K506 A1 | 4.65% | 5/1/2028 | 750.65 | | 8.02 |
| 3/1/2025 | 3/25/2025 | 9.46 | 3136BQDE6 | FNA 2023-M6 A2 | 4.19% | 7/1/2028 | 9.46 | | 0.11 |
| Total PAYDOWNS | | 16,867.04 | | | | | 16,867.04 | | 119.93 |

Quarterly Portfolio Transactions

| Trade Date | Settle Date | Par (\$) | CUSIP | Security Description | Coupon | Maturity Date | Transact Amount (\$) | Yield at Market | Realized G/L (BV) |
|------------|-------------|--------------|-----------|----------------------|--------|---------------|----------------------|-----------------|-------------------|
| SELL | | | | | | | | | |
| 1/8/2025 | 1/9/2025 | 475,000.00 | 91282CAM3 | US TREASURY N/B | 0.25% | 9/30/2025 | 461,895.91 | | -4,628.21 |
| 2/4/2025 | 2/5/2025 | 1,760,000.00 | 91282CAM3 | US TREASURY N/B | 0.25% | 9/30/2025 | 1,716,241.00 | | -16,016.76 |
| 2/4/2025 | 2/5/2025 | 1,065,000.00 | 91282CFM8 | US TREASURY N/B | 4.12% | 9/30/2027 | 1,077,785.85 | | 1,086.49 |
| 2/5/2025 | 2/7/2025 | 330,000.00 | 91282CMG3 | US TREASURY N/B | 4.25% | 1/31/2030 | 330,335.65 | | 1,287.00 |
| 3/4/2025 | 3/5/2025 | 1,600,000.00 | 91282CAZ4 | US TREASURY N/B | 0.37% | 11/30/2025 | 1,558,065.93 | | -18,417.27 |
| 3/4/2025 | 3/5/2025 | 3,160,000.00 | 91282CBH3 | US TREASURY N/B | 0.37% | 1/31/2026 | 3,056,899.00 | | -67,261.46 |
| 3/5/2025 | 3/6/2025 | 970,000.00 | 91282CBT7 | US TREASURY N/B | 0.75% | 3/31/2026 | 939,907.76 | | -14,781.22 |
| Total SELL | | 9,360,000.00 | | | | | 9,141,131.10 | | -118,731.43 |

For the Quarter Ended March 31, 2025

ZONE 7 WATER AGENCY

Portfolio Activity

Quarterly Portfolio Transactions

| Tran. Type | Trade Date | Settle Date | Par (\$) | CUSIP | Security Description | Coupon | Maturity Date | Transact Amount (\$) | Yield at Market | Realized G/L (BV) |
|------------|------------|-------------|--------------|-----------|-------------------------|--------|---------------|----------------------|-----------------|-------------------|
| BUY | 1/7/2025 | 1/16/2025 | 880,000.00 | 3137HHW23 | FHMS K533 A2 | 4.23% | 12/1/2029 | 858,810.92 | 4.82% | |
| BUY | 1/9/2025 | 1/9/2025 | 460,000.00 | 912797LY1 | TREASURY BILL | 0.00% | 1/16/2025 | 459,626.57 | 4.17% | |
| BUY | 2/4/2025 | 2/5/2025 | 1,070,000.00 | 912797NG8 | TREASURY BILL | 0.00% | 2/11/2025 | 1,069,248.41 | 4.21% | |
| BUY | 2/4/2025 | 2/5/2025 | 1,915,000.00 | 91282CMG3 | US TREASURY N/B | 4.25% | 1/31/2030 | 1,909,017.69 | 4.33% | |
| BUY | 2/4/2025 | 2/11/2025 | 1,070,000.00 | 43814VAC1 | HAROT 2025-1 A3 | 4.57% | 9/21/2029 | 1,069,967.04 | 4.57% | |
| BUY | 2/5/2025 | 2/7/2025 | 330,000.00 | 713448GB8 | PEPSICO INC (CALLABLE) | 4.60% | 2/7/2030 | 329,445.60 | 4.64% | |
| BUY | 3/4/2025 | 3/5/2025 | 5,065,000.00 | 91282CGQ8 | US TREASURY N/B | 4.00% | 2/28/2030 | 5,078,041.00 | 3.95% | |
| BUY | 3/4/2025 | 3/12/2025 | 935,000.00 | 44935CAD3 | HART 2025-A A3 | 4.32% | 10/15/2029 | 934,862.09 | 4.32% | |
| BUY | 3/5/2025 | 3/6/2025 | 935,000.00 | 313385CY0 | FED HOME LN DISCOUNT NT | 0.00% | 3/12/2025 | 934,353.29 | 4.15% | |
| INTEREST | 1/1/2025 | 1/25/2025 | | 3137HBPD0 | FHMS K515 A2 | 5.40% | 1/1/2029 | 6,075.00 | | |
| INTEREST | 1/1/2025 | 1/25/2025 | | 3137HAMN3 | FHMS KJ47 A1 | 5.27% | 8/1/2028 | 3,037.32 | | |
| INTEREST | 1/1/2025 | 1/25/2025 | | 3137BTUM1 | FHMS K061 A2 | 3.34% | 11/1/2026 | 2,624.33 | | |
| INTEREST | 1/1/2025 | 1/25/2025 | | 3137HBFY5 | FHMS K513 A2 | 4.72% | 12/1/2028 | 3,031.23 | | |
| INTEREST | 1/1/2025 | 1/25/2025 | | 3137HHJL6 | FHMS K530 A2 | 4.79% | 9/1/2029 | 5,850.23 | | |
| INTEREST | 1/1/2025 | 1/25/2025 | | 3137HAMS2 | FHMS K507 A2 | 4.80% | 9/1/2028 | 5,200.00 | | |
| INTEREST | 1/1/2025 | 1/25/2025 | | 3137BXQY1 | FHMS K064 A2 | 3.22% | 3/1/2027 | 3,546.40 | | |
| INTEREST | 1/1/2025 | 1/25/2025 | | 3137HCKV3 | FHMS K520 A2 | 5.18% | 3/1/2029 | 3,302.25 | | |
| INTEREST | 1/1/2025 | 1/25/2025 | | 3137HBCF9 | FHMS K512 A2 | 5.00% | 11/1/2028 | 2,833.33 | | |

For the Quarter Ended March 31, 2025

ZONE 7 WATER AGENCY

Portfolio Activity

Quarterly Portfolio Transactions

| Tran. Type | Trade Date | Settle Date | Par (\$) | CUSIP | Security Description | Coupon | Maturity Date | Transact Amount (\$) | Yield at Market | Realized G/L (BV) |
|------------|------------|-------------|----------|-----------|----------------------|--------|---------------|----------------------|-----------------|-------------------|
| INTEREST | 1/1/2025 | 1/25/2025 | | 3137HACX2 | FHMS K505 A2 | 4.81% | 6/1/2028 | 5,421.38 | | |
| INTEREST | 1/1/2025 | 1/25/2025 | | 3137HC2L5 | FHMS K518 A2 | 5.40% | 1/1/2029 | 4,387.50 | | |
| INTEREST | 1/1/2025 | 1/25/2025 | | 3137HAMG8 | FHMS K506 A1 | 4.65% | 5/1/2028 | 2,487.29 | | |
| INTEREST | 1/1/2025 | 1/25/2025 | | 3137HDXL9 | FHMS K526 A2 | 4.54% | 7/1/2029 | 4,921.58 | | |
| INTEREST | 1/1/2025 | 1/25/2025 | | 3137HAMH6 | FHMS K506 A2 | 4.65% | 8/1/2028 | 5,037.50 | | |
| INTEREST | 1/1/2025 | 1/25/2025 | | 3136BQDE6 | FNA 2023-M6 A2 | 4.19% | 7/1/2028 | 4,577.92 | | |
| INTEREST | 1/1/2025 | 1/25/2025 | | 3137F2LJ3 | FHMS K066 A2 | 3.11% | 6/1/2027 | 3,026.09 | | |
| INTEREST | 1/1/2025 | 1/25/2025 | | 3137HFNZ4 | FHMS K528 A2 | 4.50% | 7/1/2029 | 1,915.90 | | |
| INTEREST | 1/1/2025 | 1/25/2025 | | 3137HAD45 | FHMS KJ46 A1 | 4.77% | 6/1/2028 | 4,274.68 | | |
| INTEREST | 1/1/2025 | 1/25/2025 | | 3137HC2C5 | FHMS K517 A2 | 5.35% | 1/1/2029 | 5,399.63 | | |
| INTEREST | 1/1/2025 | 1/25/2025 | | 3137HH6C0 | FHMS K529 A2 | 4.79% | 9/1/2029 | 3,413.59 | | |
| INTEREST | 1/1/2025 | 1/25/2025 | | 3137HBLV4 | FHMS K514 A2 | 4.57% | 12/1/2028 | 2,971.80 | | |
| INTEREST | 1/1/2025 | 1/25/2025 | | 3137HB3G7 | FHMS K511 A2 | 4.86% | 10/1/2028 | 3,037.50 | | |
| INTEREST | 1/1/2025 | 1/25/2025 | | 3137HDJJ0 | FHMS K522 A2 | 4.80% | 5/1/2029 | 5,603.50 | | |
| INTEREST | 1/1/2025 | 1/25/2025 | | 3137HAST4 | FHMS K509 A2 | 4.85% | 9/1/2028 | 4,102.29 | | |
| INTEREST | 1/1/2025 | 1/25/2025 | | 3137HB3D4 | FHMS K510 A2 | 5.06% | 10/1/2028 | 2,175.45 | | |
| INTEREST | 1/1/2025 | 1/25/2025 | | 3137HBPM0 | FHMS K516 A2 | 5.47% | 1/1/2029 | 6,161.63 | | |
| INTEREST | 1/1/2025 | 1/25/2025 | | 3137HAQ74 | FHMS K508 A2 | 4.74% | 8/1/2028 | 5,233.75 | | |

For the Quarter Ended March 31, 2025

ZONE 7 WATER AGENCY

Portfolio Activity

Quarterly Portfolio Transactions

| Tran. Type | Trade Date | Settle Date | Par (\$) | CUSIP | Security Description | Coupon | Maturity Date | Transact Amount (\$) | Yield at Market | Realized G/L (BV) |
|------------|------------|-------------|----------|-----------|--------------------------|--------|---------------|----------------------|-----------------|-------------------|
| INTEREST | 1/1/2025 | 1/25/2025 | | 3137HDV56 | FHMS K524 A2 | 4.72% | 5/1/2029 | 4,503.67 | | |
| INTEREST | 1/2/2025 | 1/2/2025 | | MONEY0002 | MONEY MARKET FUND | 0.00% | | 21,489.48 | | |
| INTEREST | 1/12/2025 | 1/12/2025 | | 89236TKQ7 | TOYOTA MOTOR CREDIT CORP | 4.62% | 1/12/2028 | 22,662.50 | | |
| INTEREST | 1/14/2025 | 1/14/2025 | | 24422EXB0 | JOHN DEERE CAPITAL CORP | 4.95% | 7/14/2028 | 24,626.25 | | |
| INTEREST | 1/15/2025 | 1/15/2025 | | 44918CAD4 | HART 2023-C A3 | 5.54% | 10/16/2028 | 1,823.58 | | |
| INTEREST | 1/15/2025 | 1/15/2025 | | 161571HV9 | CHAIT 2024-A1 A | 4.60% | 1/16/2029 | 4,504.17 | | |
| INTEREST | 1/15/2025 | 1/15/2025 | | 161571HT4 | CHAIT 2023-A1 A | 5.16% | 9/15/2028 | 4,493.50 | | |
| INTEREST | 1/15/2025 | 1/15/2025 | | 89239FAD4 | TAOT 2023-D A3 | 5.54% | 8/15/2028 | 1,223.42 | | |
| INTEREST | 1/15/2025 | 1/15/2025 | | 05522RDH8 | BACCT 2023-A2 A2 | 4.98% | 11/15/2028 | 1,992.00 | | |
| INTEREST | 1/15/2025 | 1/15/2025 | | 87612EBM7 | TARGET CORP (CALLABLE) | 1.95% | 1/15/2027 | 13,406.25 | | |
| INTEREST | 1/15/2025 | 1/15/2025 | | 02582JKD1 | AMXCA 2023-3 A | 5.23% | 9/15/2028 | 4,663.42 | | |
| INTEREST | 1/16/2025 | 1/16/2025 | | 36268GAD7 | GMCAR 2024-1 A3 | 4.85% | 12/18/2028 | 525.42 | | |
| INTEREST | 1/17/2025 | 1/17/2025 | | 713448FX1 | PEPSICO INC (CALLABLE) | 4.50% | 7/17/2029 | 16,200.00 | | |
| INTEREST | 1/17/2025 | 1/17/2025 | | 21684LGS5 | COOPERAT RABOBANK UA/NY | 5.08% | 7/17/2026 | 34,290.00 | | |
| INTEREST | 1/31/2025 | 1/31/2025 | | 91282CLC3 | US TREASURY N/B | 4.00% | 7/31/2029 | 4,600.00 | | |
| INTEREST | 1/31/2025 | 1/31/2025 | | 91282CBH3 | US TREASURY N/B | 0.37% | 1/31/2026 | 5,925.00 | | |
| INTEREST | 2/1/2025 | 2/25/2025 | | 3137HACX2 | FHMS K505 A2 | 4.81% | 6/1/2028 | 5,421.38 | | |
| INTEREST | 2/1/2025 | 2/25/2025 | | 3137BTUM1 | FHMS K061 A2 | 3.34% | 11/1/2026 | 2,619.13 | | |

For the Quarter Ended March 31, 2025

ZONE 7 WATER AGENCY

Portfolio Activity

Quarterly Portfolio Transactions

| Tran. Type | Trade Date | Settle Date | Par (\$) | CUSIP | Security Description | Coupon | Maturity Date | Transact Amount (\$) | Yield at Market | Realized G/L (BV) |
|------------|------------|-------------|----------|-----------|----------------------|--------|---------------|----------------------|-----------------|-------------------|
| INTEREST | 2/1/2025 | 2/25/2025 | | 3137HCKV3 | FHMS K520 A2 | 5.18% | 3/1/2029 | 3,302.25 | | |
| INTEREST | 2/1/2025 | 2/25/2025 | | 3137HBCF9 | FHMS K512 A2 | 5.00% | 11/1/2028 | 2,833.33 | | |
| INTEREST | 2/1/2025 | 2/25/2025 | | 3137HB3D4 | FHMS K510 A2 | 5.06% | 10/1/2028 | 2,175.45 | | |
| INTEREST | 2/1/2025 | 2/25/2025 | | 3137HAQ74 | FHMS K508 A2 | 4.74% | 8/1/2028 | 5,233.75 | | |
| INTEREST | 2/1/2025 | 2/25/2025 | | 3137HDXL9 | FHMS K526 A2 | 4.54% | 7/1/2029 | 4,921.58 | | |
| INTEREST | 2/1/2025 | 2/25/2025 | | 3137HFNZ4 | FHMS K528 A2 | 4.50% | 7/1/2029 | 1,915.90 | | |
| INTEREST | 2/1/2025 | 2/25/2025 | | 3137HDJJ0 | FHMS K522 A2 | 4.80% | 5/1/2029 | 5,603.50 | | |
| INTEREST | 2/1/2025 | 2/25/2025 | | 3137HAST4 | FHMS K509 A2 | 4.85% | 9/1/2028 | 4,102.29 | | |
| INTEREST | 2/1/2025 | 2/25/2025 | | 3137HAD45 | FHMS KJ46 A1 | 4.77% | 6/1/2028 | 4,271.71 | | |
| INTEREST | 2/1/2025 | 2/25/2025 | | 3137BXQY1 | FHMS K064 A2 | 3.22% | 3/1/2027 | 3,546.40 | | |
| INTEREST | 2/1/2025 | 2/25/2025 | | 3137F2LJ3 | FHMS K066 A2 | 3.11% | 6/1/2027 | 3,026.09 | | |
| INTEREST | 2/1/2025 | 2/25/2025 | | 3136BQDE6 | FNA 2023-M6 A2 | 4.19% | 7/1/2028 | 4,576.78 | | |
| INTEREST | 2/1/2025 | 2/25/2025 | | 3137HAMH6 | FHMS K506 A2 | 4.65% | 8/1/2028 | 5,037.50 | | |
| INTEREST | 2/1/2025 | 2/25/2025 | | 3137HH6C0 | FHMS K529 A2 | 4.79% | 9/1/2029 | 3,413.59 | | |
| INTEREST | 2/1/2025 | 2/25/2025 | | 3137HBLV4 | FHMS K514 A2 | 4.57% | 12/1/2028 | 2,971.80 | | |
| INTEREST | 2/1/2025 | 2/25/2025 | | 3137HB3G7 | FHMS K511 A2 | 4.86% | 10/1/2028 | 3,037.50 | | |
| INTEREST | 2/1/2025 | 2/25/2025 | | 3137HAMN3 | FHMS KJ47 A1 | 5.27% | 8/1/2028 | 3,030.81 | | |
| INTEREST | 2/1/2025 | 2/25/2025 | | 3137HDV56 | FHMS K524 A2 | 4.72% | 5/1/2029 | 4,503.67 | | |

For the Quarter Ended March 31, 2025

ZONE 7 WATER AGENCY

Portfolio Activity

Quarterly Portfolio Transactions

| Tran. Type | Trade Date | Settle Date | Par (\$) | CUSIP | Security Description | Coupon | Maturity Date | Transact Amount (\$) | Yield at Market | Realized G/L (BV) |
|------------|------------|-------------|----------|-----------|--------------------------------|--------|---------------|----------------------|-----------------|-------------------|
| INTEREST | 2/1/2025 | 2/25/2025 | | 3137HC2L5 | FHMS K518 A2 | 5.40% | 1/1/2029 | 4,387.50 | | |
| INTEREST | 2/1/2025 | 2/25/2025 | | 3137HAMG8 | FHMS K506 A1 | 4.65% | 5/1/2028 | 2,485.27 | | |
| INTEREST | 2/1/2025 | 2/25/2025 | | 3137HHW23 | FHMS K533 A2 | 4.23% | 12/1/2029 | 3,102.00 | | |
| INTEREST | 2/1/2025 | 2/25/2025 | | 3137HAMS2 | FHMS K507 A2 | 4.80% | 9/1/2028 | 5,200.00 | | |
| INTEREST | 2/1/2025 | 2/25/2025 | | 3137HC2C5 | FHMS K517 A2 | 5.35% | 1/1/2029 | 5,399.63 | | |
| INTEREST | 2/1/2025 | 2/25/2025 | | 3137HBFY5 | FHMS K513 A2 | 4.72% | 12/1/2028 | 3,031.23 | | |
| INTEREST | 2/1/2025 | 2/25/2025 | | 3137HBPM0 | FHMS K516 A2 | 5.47% | 1/1/2029 | 6,161.63 | | |
| INTEREST | 2/1/2025 | 2/25/2025 | | 3137HHJL6 | FHMS K530 A2 | 4.79% | 9/1/2029 | 5,850.23 | | |
| INTEREST | 2/1/2025 | 2/25/2025 | | 3137HBPD0 | FHMS K515 A2 | 5.40% | 1/1/2029 | 6,075.00 | | |
| INTEREST | 2/3/2025 | 2/3/2025 | | MONEY0002 | MONEY MARKET FUND | 0.00% | | 19,019.97 | | |
| INTEREST | 2/6/2025 | 2/6/2025 | | 594918BY9 | MICROSOFT CORP (CALLABLE) | 3.30% | 2/6/2027 | 34,237.50 | | |
| INTEREST | 2/7/2025 | 2/7/2025 | | 94988J6D4 | WELLS FARGO BANK NA (CALLABLE) | 5.45% | 8/7/2026 | 53,001.25 | | |
| INTEREST | 2/10/2025 | 2/10/2025 | | 69371RS64 | PACCAR FINANCIAL CORP | 4.95% | 8/10/2028 | 24,131.25 | | |
| INTEREST | 2/14/2025 | 2/14/2025 | | 532457CQ9 | ELI LILLY & CO (CALLABLE) | 4.20% | 8/14/2029 | 23,100.00 | | |
| INTEREST | 2/15/2025 | 2/15/2025 | | 9128282R0 | US TREASURY N/B | 2.25% | 8/15/2027 | 28,912.50 | | |
| INTEREST | 2/15/2025 | 2/15/2025 | | 89239FAD4 | TAOT 2023-D A3 | 5.54% | 8/15/2028 | 1,223.42 | | |
| INTEREST | 2/15/2025 | 2/15/2025 | | 912828V98 | US TREASURY N/B | 2.25% | 2/15/2027 | 59,625.00 | | |
| INTEREST | 2/15/2025 | 2/15/2025 | | 44918CAD4 | HART 2023-C A3 | 5.54% | 10/16/2028 | 1,823.58 | | |

For the Quarter Ended March 31, 2025

ZONE 7 WATER AGENCY

Portfolio Activity

Quarterly Portfolio Transactions

| Tran. Type | Trade Date | Settle Date | Par (\$) | CUSIP | Security Description | Coupon | Maturity Date | Transact Amount (\$) | Yield at Market | Realized G/L (BV) |
|------------|------------|-------------|----------|-----------|------------------------------|--------|---------------|----------------------|-----------------|-------------------|
| INTEREST | 2/15/2025 | 2/15/2025 | | 05522RDH8 | BACCT 2023-A2 A2 | 4.98% | 11/15/2028 | 1,992.00 | | |
| INTEREST | 2/15/2025 | 2/15/2025 | | 161571HT4 | CHAIT 2023-A1 A | 5.16% | 9/15/2028 | 4,493.50 | | |
| INTEREST | 2/15/2025 | 2/15/2025 | | 161571HV9 | CHAIT 2024-A1 A | 4.60% | 1/16/2029 | 4,504.17 | | |
| INTEREST | 2/15/2025 | 2/15/2025 | | 02582JKD1 | AMXCA 2023-3 A | 5.23% | 9/15/2028 | 4,663.42 | | |
| INTEREST | 2/16/2025 | 2/16/2025 | | 36268GAD7 | GMCAR 2024-1 A3 | 4.85% | 12/18/2028 | 525.42 | | |
| INTEREST | 2/20/2025 | 2/20/2025 | | 857477CN1 | STATE STREET CORP (CALLABLE) | 4.53% | 2/20/2029 | 15,515.25 | | |
| INTEREST | 2/28/2025 | 2/28/2025 | | 91282CGP0 | US TREASURY N/B | 4.00% | 2/29/2028 | 12,000.00 | | |
| INTEREST | 2/28/2025 | 2/28/2025 | | 91282CLK5 | US TREASURY N/B | 3.62% | 8/31/2029 | 61,987.50 | | |
| INTEREST | 3/1/2025 | 3/25/2025 | | 3137HBCF9 | FHMS K512 A2 | 5.00% | 11/1/2028 | 2,833.33 | | |
| INTEREST | 3/1/2025 | 3/25/2025 | | 3137HCKV3 | FHMS K520 A2 | 5.18% | 3/1/2029 | 3,302.25 | | |
| INTEREST | 3/1/2025 | 3/25/2025 | | 3137HHJL6 | FHMS K530 A2 | 4.79% | 9/1/2029 | 5,850.23 | | |
| INTEREST | 3/1/2025 | 3/25/2025 | | 3137HB3G7 | FHMS K511 A2 | 4.86% | 10/1/2028 | 3,037.50 | | |
| INTEREST | 3/1/2025 | 3/25/2025 | | 3137BXQY1 | FHMS K064 A2 | 3.22% | 3/1/2027 | 3,546.40 | | |
| INTEREST | 3/1/2025 | 3/25/2025 | | 3137HB3D4 | FHMS K510 A2 | 5.06% | 10/1/2028 | 2,175.45 | | |
| INTEREST | 3/1/2025 | 3/25/2025 | | 3137HBFY5 | FHMS K513 A2 | 4.72% | 12/1/2028 | 3,031.23 | | |
| INTEREST | 3/1/2025 | 3/25/2025 | | 3137HDJJ0 | FHMS K522 A2 | 4.80% | 5/1/2029 | 5,603.50 | | |
| INTEREST | 3/1/2025 | 3/25/2025 | | 3137HDV56 | FHMS K524 A2 | 4.72% | 5/1/2029 | 4,503.67 | | |
| INTEREST | 3/1/2025 | 3/25/2025 | | 3137HDXL9 | FHMS K526 A2 | 4.54% | 7/1/2029 | 4,921.58 | | |

For the Quarter Ended March 31, 2025

ZONE 7 WATER AGENCY

Portfolio Activity

Quarterly Portfolio Transactions

| Tran. Type | Trade Date | Settle Date | Par (\$) | CUSIP | Security Description | Coupon | Maturity Date | Transact Amount (\$) | Yield at Market | Realized G/L (BV) |
|------------|------------|-------------|----------|-----------|----------------------|--------|---------------|----------------------|-----------------|-------------------|
| INTEREST | 3/1/2025 | 3/25/2025 | | 3137HAD45 | FHMS KJ46 A1 | 4.77% | 6/1/2028 | 4,268.43 | | |
| INTEREST | 3/1/2025 | 3/25/2025 | | 3137HFNZ4 | FHMS K528 A2 | 4.50% | 7/1/2029 | 1,915.90 | | |
| INTEREST | 3/1/2025 | 3/25/2025 | | 3137BTUM1 | FHMS K061 A2 | 3.34% | 11/1/2026 | 2,613.92 | | |
| INTEREST | 3/1/2025 | 3/25/2025 | | 3137HAMH6 | FHMS K506 A2 | 4.65% | 8/1/2028 | 5,037.50 | | |
| INTEREST | 3/1/2025 | 3/25/2025 | | 3137HBPD0 | FHMS K515 A2 | 5.40% | 1/1/2029 | 6,075.00 | | |
| INTEREST | 3/1/2025 | 3/25/2025 | | 3136BQDE6 | FNA 2023-M6 A2 | 4.19% | 7/1/2028 | 4,576.79 | | |
| INTEREST | 3/1/2025 | 3/25/2025 | | 3137HC2C5 | FHMS K517 A2 | 5.35% | 1/1/2029 | 5,399.63 | | |
| INTEREST | 3/1/2025 | 3/25/2025 | | 3137F2LJ3 | FHMS K066 A2 | 3.11% | 6/1/2027 | 3,026.09 | | |
| INTEREST | 3/1/2025 | 3/25/2025 | | 3137HAMG8 | FHMS K506 A1 | 4.65% | 5/1/2028 | 2,483.24 | | |
| INTEREST | 3/1/2025 | 3/25/2025 | | 3137HAQ74 | FHMS K508 A2 | 4.74% | 8/1/2028 | 5,233.75 | | |
| INTEREST | 3/1/2025 | 3/25/2025 | | 3137HBLV4 | FHMS K514 A2 | 4.57% | 12/1/2028 | 2,971.80 | | |
| INTEREST | 3/1/2025 | 3/25/2025 | | 3137HHW23 | FHMS K533 A2 | 4.23% | 12/1/2029 | 3,102.00 | | |
| INTEREST | 3/1/2025 | 3/25/2025 | | 3137HAMS2 | FHMS K507 A2 | 4.80% | 9/1/2028 | 5,200.00 | | |
| INTEREST | 3/1/2025 | 3/25/2025 | | 3137HAMN3 | FHMS KJ47 A1 | 5.27% | 8/1/2028 | 3,024.25 | | |
| INTEREST | 3/1/2025 | 3/25/2025 | | 3137HAST4 | FHMS K509 A2 | 4.85% | 9/1/2028 | 4,102.29 | | |
| INTEREST | 3/1/2025 | 3/25/2025 | | 3137HACX2 | FHMS K505 A2 | 4.81% | 6/1/2028 | 5,421.38 | | |
| INTEREST | 3/1/2025 | 3/25/2025 | | 3137HBPM0 | FHMS K516 A2 | 5.47% | 1/1/2029 | 6,161.63 | | |
| INTEREST | 3/1/2025 | 3/25/2025 | | 3137HC2L5 | FHMS K518 A2 | 5.40% | 1/1/2029 | 4,387.50 | | |

For the Quarter Ended March 31, 2025

ZONE 7 WATER AGENCY

Portfolio Activity

Quarterly Portfolio Transactions

| Tran. Type | Trade Date | Settle Date | Par (\$) | CUSIP | Security Description | Coupon | Maturity Date | Transact Amount (\$) | Yield at Market | Realized G/L (BV) |
|------------|------------|-------------|----------|-----------|---------------------------------|--------|---------------|----------------------|-----------------|-------------------|
| INTEREST | 3/1/2025 | 3/25/2025 | | 3137HH6C0 | FHMS K529 A2 | 4.79% | 9/1/2029 | 3,413.59 | | |
| INTEREST | 3/3/2025 | 3/3/2025 | | MONEY0002 | MONEY MARKET FUND | 0.00% | | 17,062.13 | | |
| INTEREST | 3/11/2025 | 3/11/2025 | | 06051GJQ3 | BANK OF AMERICA CORP (CALLABLE) | 1.65% | 3/11/2027 | 17,989.30 | | |
| INTEREST | 3/14/2025 | 3/14/2025 | | 437076BT8 | HOME DEPOT INC (CALLABLE) | 2.80% | 9/14/2027 | 19,460.00 | | |
| INTEREST | 3/14/2025 | 3/14/2025 | | 09290DAA9 | BLACKROCK FUNDING INC | 4.70% | 3/14/2029 | 2,937.50 | | |
| INTEREST | 3/15/2025 | 3/15/2025 | | 161571HT4 | CHAIT 2023-A1 A | 5.16% | 9/15/2028 | 4,493.50 | | |
| INTEREST | 3/15/2025 | 3/15/2025 | | 89239FAD4 | TAOT 2023-D A3 | 5.54% | 8/15/2028 | 1,223.42 | | |
| INTEREST | 3/15/2025 | 3/15/2025 | | 161571HV9 | CHAIT 2024-A1 A | 4.60% | 1/16/2029 | 4,504.17 | | |
| INTEREST | 3/15/2025 | 3/15/2025 | | 44918CAD4 | HART 2023-C A3 | 5.54% | 10/16/2028 | 1,823.58 | | |
| INTEREST | 3/15/2025 | 3/15/2025 | | 02582JKD1 | AMXCA 2023-3 A | 5.23% | 9/15/2028 | 4,663.42 | | |
| INTEREST | 3/15/2025 | 3/15/2025 | | 05522RDH8 | BACCT 2023-A2 A2 | 4.98% | 11/15/2028 | 1,992.00 | | |
| INTEREST | 3/16/2025 | 3/16/2025 | | 36268GAD7 | GMCAR 2024-1 A3 | 4.85% | 12/18/2028 | 525.42 | | |
| INTEREST | 3/21/2025 | 3/21/2025 | | 43814VAC1 | HAROT 2025-1 A3 | 4.57% | 9/21/2029 | 5,433.22 | | |
| INTEREST | 3/29/2025 | 3/29/2025 | | 17325FBB3 | CITIBANK NA (CALLABLE) | 5.80% | 9/29/2028 | 57,304.63 | | |
| INTEREST | 3/31/2025 | 3/31/2025 | | 91282CBT7 | US TREASURY N/B | 0.75% | 3/31/2026 | 21,225.00 | | |
| INTEREST | 3/31/2025 | 3/31/2025 | | 91282CCZ2 | US TREASURY N/B | 0.87% | 9/30/2026 | 14,962.50 | | |
| INTEREST | 3/31/2025 | 3/31/2025 | | 91282CGT2 | US TREASURY N/B | 3.62% | 3/31/2028 | 15,406.25 | | |
| INTEREST | 3/31/2025 | 3/31/2025 | | 91282CFM8 | US TREASURY N/B | 4.12% | 9/30/2027 | 18,046.88 | | |

For the Quarter Ended March 31, 2025

ZONE 7 WATER AGENCY

Portfolio Activity

Quarterly Portfolio Transactions

| Tran. Type | Trade Date | Settle Date | Par (\$) | CUSIP | Security Description | Coupon | Maturity Date | Transact Amount (\$) | Yield at Market | Realized G/L (BV) |
|------------|------------|-------------|--------------|-----------|-------------------------|--------|---------------|----------------------|-----------------|-------------------|
| MATURITY | 1/16/2025 | 1/16/2025 | 460,000.00 | 912797LY1 | TREASURY BILL | 0.00% | 1/16/2025 | 460,000.00 | | |
| MATURITY | 2/11/2025 | 2/11/2025 | 1,070,000.00 | 912797NG8 | TREASURY BILL | 0.00% | 2/11/2025 | 1,070,000.00 | | |
| MATURITY | 3/12/2025 | 3/12/2025 | 935,000.00 | 313385CY0 | FED HOME LN DISCOUNT NT | 0.00% | 3/12/2025 | 935,000.00 | | |
| PAYDOWN | 1/1/2025 | 1/25/2025 | 521.36 | 3137HAMG8 | FHMS K506 A1 | 4.65% | 5/1/2028 | 521.36 | | 5.83 |
| PAYDOWN | 1/1/2025 | 1/25/2025 | 1,482.21 | 3137HAMN3 | FHMS KJ47 A1 | 5.27% | 8/1/2028 | 1,482.21 | | |
| PAYDOWN | 1/1/2025 | 1/25/2025 | 744.03 | 3137HAD45 | FHMS KJ46 A1 | 4.77% | 6/1/2028 | 744.03 | | 0.02 |
| PAYDOWN | 1/1/2025 | 1/25/2025 | 1,864.08 | 3137BTUM1 | FHMS K061 A2 | 3.34% | 11/1/2026 | 1,864.08 | | 31.13 |
| PAYDOWN | 1/1/2025 | 1/25/2025 | 443.84 | 3136BQDE6 | FNA 2023-M6 A2 | 4.19% | 7/1/2028 | 443.84 | | 5.38 |
| PAYDOWN | 2/1/2025 | 2/25/2025 | 1,870.33 | 3137BTUM1 | FHMS K061 A2 | 3.34% | 11/1/2026 | 1,870.33 | | 29.86 |
| PAYDOWN | 2/1/2025 | 2/25/2025 | 825.28 | 3137HAD45 | FHMS KJ46 A1 | 4.77% | 6/1/2028 | 825.28 | | 0.01 |
| PAYDOWN | 2/1/2025 | 2/25/2025 | 523.81 | 3137HAMG8 | FHMS K506 A1 | 4.65% | 5/1/2028 | 523.81 | | 5.73 |
| PAYDOWN | 2/1/2025 | 2/25/2025 | 6.86 | 3136BQDE6 | FNA 2023-M6 A2 | 4.19% | 7/1/2028 | 6.86 | | 0.08 |
| PAYDOWN | 2/1/2025 | 2/25/2025 | 1,491.01 | 3137HAMN3 | FHMS KJ47 A1 | 5.27% | 8/1/2028 | 1,491.01 | | 0.01 |
| PAYDOWN | 3/1/2025 | 3/25/2025 | 1,344.23 | 3137HAD45 | FHMS KJ46 A1 | 4.77% | 6/1/2028 | 1,344.23 | | 0.02 |
| PAYDOWN | 3/1/2025 | 3/25/2025 | 2,213.47 | 3137BTUM1 | FHMS K061 A2 | 3.34% | 11/1/2026 | 2,213.47 | | 33.72 |
| PAYDOWN | 3/1/2025 | 3/25/2025 | 2,776.42 | 3137HAMN3 | FHMS KJ47 A1 | 5.27% | 8/1/2028 | 2,776.42 | | 0.01 |
| PAYDOWN | 3/1/2025 | 3/25/2025 | 750.65 | 3137HAMG8 | FHMS K506 A1 | 4.65% | 5/1/2028 | 750.65 | | 8.02 |
| PAYDOWN | 3/1/2025 | 3/25/2025 | 9.46 | 3136BQDE6 | FNA 2023-M6 A2 | 4.19% | 7/1/2028 | 9.46 | | 0.11 |

For the Quarter Ended March 31, 2025

ZONE 7 WATER AGENCY

Portfolio Activity

Quarterly Portfolio Transactions

| Tran. Type | Trade Date | Settle Date | Par (\$) | CUSIP | Security Description | Coupon | Maturity Date | Transact Amount (\$) | Yield at Market | Realized G/L (BV) |
|------------|------------|-------------|---------------|-----------|----------------------|--------|---------------|----------------------|-----------------|-------------------|
| SELL | 1/8/2025 | 1/9/2025 | 475,000.00 | 91282CAM3 | US TREASURY N/B | 0.25% | 9/30/2025 | 461,895.91 | | -4,628.21 |
| SELL | 2/4/2025 | 2/5/2025 | 1,760,000.00 | 91282CAM3 | US TREASURY N/B | 0.25% | 9/30/2025 | 1,716,241.00 | | -16,016.76 |
| SELL | 2/4/2025 | 2/5/2025 | 1,065,000.00 | 91282CFM8 | US TREASURY N/B | 4.12% | 9/30/2027 | 1,077,785.85 | | 1,086.49 |
| SELL | 2/5/2025 | 2/7/2025 | 330,000.00 | 91282CMG3 | US TREASURY N/B | 4.25% | 1/31/2030 | 330,335.65 | | 1,287.00 |
| SELL | 3/4/2025 | 3/5/2025 | 1,600,000.00 | 91282CAZ4 | US TREASURY N/B | 0.37% | 11/30/2025 | 1,558,065.93 | | -18,417.27 |
| SELL | 3/4/2025 | 3/5/2025 | 3,160,000.00 | 91282CBH3 | US TREASURY N/B | 0.37% | 1/31/2026 | 3,056,899.00 | | -67,261.46 |
| SELL | 3/5/2025 | 3/6/2025 | 970,000.00 | 91282CBT7 | US TREASURY N/B | 0.75% | 3/31/2026 | 939,907.76 | | -14,781.22 |
| TOTALS | | | 24,501,867.04 | | | | | 25,337,213.86 | | -118,611.50 |

Important Disclosures

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- In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances, and forward settling sales are excluded.
- Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis. **Past performance is not indicative of future returns.**
- ICE Bank of America Indices provided by Bloomberg Financial Markets.
- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.
- MBS maturities are represented by expected average life.

Glossary

- **Accrued Interest:** Interest that is due on a bond or other fixed income security since the last interest payment was made.
- **Agencies:** Federal agency securities and/or Government-sponsored enterprises.
- **Amortized Cost:** The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short-term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer-term securities is amortized using the constant yield basis.
- **Asset-Backed Security:** A financial instrument collateralized by an underlying pool of assets – usually ones that generate a cash flow from debt, such as loans, leases, credit card balances, and receivables.
- **Bankers' Acceptance:** A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill as well as the insurer.
- **Commercial Paper:** An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- **Contribution to Total Return:** The weight of each individual security multiplied by its return, then summed for each sector to determine how much each sector added or subtracted from the overall portfolio performance.
- **Effective Duration:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- **Effective Yield:** The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.
- **FDIC:** Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- **Interest Rate:** Interest per year divided by principal amount and expressed as a percentage.
- **Market Value:** The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- **Maturity:** The date upon which the principal or stated value of an investment becomes due and payable.
- **Negotiable Certificates of Deposit:** A CD with a very large denomination, usually \$1 million or more, that can be traded in secondary markets.
- **Par Value:** The nominal dollar face amount of a security.
- **Pass-through Security:** A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.

Glossary

- Repurchase Agreements: A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.
- Settle Date: The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction (i.e., coupon payments and maturity proceeds) occurs on a non-business day, the funds are exchanged on the next business day.
- Supranational: A multinational union or association in which member countries cede authority and sovereignty on at least some internal matters to the group, whose decisions are binding on its members.
- Trade Date: The date on which the transaction occurred; however, the final consummation of the security transaction and payment has not yet taken place.
- Unsettled Trade: A trade which has been executed; however, the final consummation of the security transaction and payment has not yet taken place.
- U.S. Treasury: The department of the U.S. government that issues Treasury securities.
- Yield: The rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.
- YTM at Cost: The yield to maturity at cost is the expected rate of return based on the original cost, the annual interest receipts, maturity value, and the time period from purchase date to maturity, stated as a percentage on an annualized basis.
- YTM at Market: The yield to maturity at market is the rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.

DATE: May 28, 2025

TO: Finance Committee

FROM: Osborn Solitei, Treasurer/Assistant General Manager, Finance

SUBJECT: Proposed Amended Reserve Policy

SUMMARY:

- The proposed action is in support of Strategic Plan Goal H – Fiscal Responsibility: Operate the Agency in a fiscally responsible manner and Strategic Initiative No. 21 – continue to effectively manage financial resources. In carrying out these fiscal responsibilities, staff periodically review and update financial policies to ensure continued alignment with the Agency’s financial objectives, best practices, and the current fiscal environment.
- The Agency’s Reserve Policy was last amended and adopted on December 18, 2024, via Resolution No. 24-106. The purpose of the Reserve Policy is to demonstrate to the community of rate payers, bondholders, and rating/regulatory agencies that the Board of Directors is committed to the Agency’s long-term financial health, stability, and viability. Prudent financial management dictates the Agency maintain appropriate reserves for operating and capital needs, debt obligations, and funding for emergencies and unforeseen events.
- At the April 9, 2025, Finance Committee meeting, staff presented on the preferred use of the Fund 100 – Water Enterprise Operations unallocated fund balance, recommending options such as amending the Agency’s Reserve Policy to establish a general water reliability reserve fund. The Committee supported this recommendation stating the reserve was necessary to demonstrate responsible financial planning to the public and Retailers.
- Based on the Committee’s direction, staff propose amending the Reserve Policy to include a Water Reliability Reserve Fund under Fund 100. The Water Reliability Reserve Fund is proposed to have no assigned minimum, target, or maximum amount and is intended to maintain agility and flexibility in addressing water supply challenges and opportunities as they arise.
- Staff seek direction from the Finance Committee on the proposed amendments to the Reserve Policy. Staff plans to bring the proposed amended Reserve Policy to the June 18, 2025, regular Board meeting for adoption.

FUNDING:

N/A

RECOMMENDED ACTION:

Discuss and provide direction.

ATTACHMENTS:

1. Clean Reserve Policy
2. Redlined Reserve Policy

POLICY AND PROCEDURE

| | | |
|---|--------------------------------------|--------------------------------|
| POLICY TITLE: Reserve Policy | NUMBER: Z7AF-140-16 | PAGE: 1 of 11 |
| APPROVED BY: Board of Directors Authorizing Resolution No. | REVISION: 3 | EFFECTIVE DATE: |

1. POLICY STATEMENT

The purpose of this policy is to ensure Zone 7 Water Agency ("Zone 7" or "the Agency") operates in a productive, cost-effective and efficient manner. A robust reserve policy demonstrates to the community of rate payers, bondholders, and rating and regulatory agencies that the Board of Directors is committed to the Agency's long-term financial health, stability, and viability. Prudent financial management dictates the Agency maintain appropriate reserves for operating and capital needs, debt obligations, and funding for emergencies and unforeseen events.

The Agency will strive to have sufficient funding available to meet its operating, capital, and debt service obligations. Reserve Funds ("Funds") will be accumulated, designated and maintained to allow Zone 7 to fund operating expenses and capital expenditures in a manner consistent with its budget and capital improvement plan, respectively, and avoid significant customer rate fluctuations due to changes in cash flow requirements. Further, Zone 7 will endeavor to designate funds for all forms of potential disasters, emergencies and unforeseen events to ensure that funds are available to cover the costs associated therewith.

The Zone 7 Board of Directors (the "Board") adopted a Financial Management Framework (the "Framework") on November 16, 2011 (Resolution Number 11-4137) which includes planning for current operating and capital resource needs to ensure it can achieve its mission by providing for financial stability and health of the Agency. This Final Reserve Policy has been developed in keeping with the Framework after evaluating the efficacy of an Interim Reserve Policy adopted in 2013. One of the Framework's goals is to be able to respond to changes in the economic environment and service demands with minimal impact on its customers while maintaining the financial integrity of Zone 7. A fundamental purpose of this policy is to link what must be accomplished with the necessary resources to successfully do so.

The Policy directives outlined in this document are intended to ensure Zone 7 has sufficient funds to meet current and future needs. The Agency shall maintain reserve levels, as directed by the Board, through the strategic planning and budget processes.

2. FUNDS

Zone 7 maintains financial assets in separate funds that are clearly identifiable and segregated for specific purposes in accordance with laws and regulations. The Agency shall not commingle funds that are established under different functions of the Agency nor shall it commingle developer fees with operational funding.

This Policy establishes Reserve Funds for each of the following major funding areas.

Water Enterprise Operations and Capital Projects Fund (Funds 100 and 120)

These funds account for enterprise operation and administration, emergency and support services, variable State Water Project charges, water facilities maintenance and operation, water facilities, water resources and water supply planning, and renewal, replacement and system- wide improvement types of capital projects.

State Water Project Fund (Fund 110)

This fund is used for fixed State Water Project charges, including State Water Project bonded indebtedness.

Water Enterprise Capital Expansion Fund (Fund 130)

Expansion is funded by water connection fee revenue imposed on new development to fund new development's fair share of capital projects necessary to accommodate growth. These water connection fees are subject to the provisions contained in the California Mitigation Fee Act (Government Code § 66000 et seq.)

Flood Protection Operations Fund (Fund 200)

This fund provides for general administration and regional flood control services, including renewal, replacement and system-wide improvement types of capital projects to ensure the controlled runoff of the Valley's excess stormwater runoff.

Flood Protection Development Impact Fee Fund (Fund 210)

Expansion is funded by development impact fees imposed on new development to pay for new development's fair share of the acquisition, construction, engineering and improvement of the flood protection and/or storm water drainage elements of the Stream Management Master Plan of Zone 7, or to reduce the principal or interest of any bonded indebtedness thereof. Development fees are collected in accordance with the California Mitigation Fee Act (Government Code § 66000 et seq.)

3. RESERVE FUND DEFINITIONS

Restricted Reserves: Restrictions on the use of these funds are imposed by an outside source such as creditors, grantors, contributors, laws, or regulations, for example water connection fees or flood protection developer impact fees per the California Mitigation Fee Act.

Designated Reserves: Funds set aside for a specific purpose determined by Zone 7's Board of Directors as documented by minute order, resolution or ordinance. The Board of Directors has the authority to redirect the use of these funds as needs of the Agency change.

Unrestricted Reserves: Have no imposed restrictions as to their use.

4. GENERAL PROVISIONS

Purpose of Reserve Funds

Reserves are established to:

- Comply with applicable statutory requirements
- Finance future capital facilities, finance improvements, and repair and replacement of existing assets
- Assure cash flow requirements are met
- Provide for economic uncertainties, local disasters, and other financial hardships or downturns in the local or national economy
- Provide for contingencies, emergencies or unforeseen operating or capital needs
- Meet bond covenant requirements

Segregation of Funds

The Agency will not transfer moneys between reserve funds that are established under different functions of the Agency. The Agency may complete interfund borrowing between reserves of different functions of the Agency at current market rates. The Board shall approve any reallocation of funds or any transfers among Reserve Funds.

Periodic Review Dates for Balances

Fund balances and target levels will be reviewed by staff, the Board and the public during the development and approval of each budget, annual financial audit and periodic water rate discussions.

5. POLICY COMPLIANCE

The Minimum established for each reserve represents the target that is acceptable from both risk and long-range financial planning perspectives, as well as demonstrating financial stability to the rating agencies and lending institutions. Maintaining fund balances at appropriate levels is a prudent, ongoing business process that consists of an iterative, dynamic assessment and application of various revenue generating alternatives and cost management measures. To ensure reliable service to its ratepayers and to maintain fiscal responsibility, in every fiscal year Zone 7 will maintain balances in its Reserve Funds that are financially prudent.

Upon Board adoption of this policy, necessary actions will be taken to comply with this policy. Periodic reviews will ensure that reserves are in compliance with policy. In the event that a reserve has fallen below the minimum, and other reserves are above minimum and/or maximum, a transfer(s) shall be made from other reserve(s) within that fund to bring the non-compliant reserve to the minimum level. If reserves are depleted, the reserves shall be replenished within the two (2) year budget period to the established or re-established target through revenue generating alternatives and/or cost management measures. If cumulative reserves within a fund exceed maximum levels, a report will be made to the Board and alternative solutions considered.

Revenue-generating alternatives and cost management measures (either alone or in combination with each other) include, but are not limited to:

- rates, fees and charges
- capital financing
- investment of funds
- grants
- energy efficiencies
- pooled services/equipment agreements
- chemical purchase consortiums
- deferral or acceleration of capital projects, as appropriate

6. RESERVE FUND TARGET LEVELS AND MANAGEMENT

The following section describes Zone 7 reserves, target levels and management of funds.

WATER ENTERPRISE OPERATIONS FUND RESERVES

The Water Enterprise Operations fund has four reserve categories:

- A. Operating Reserve
- B. Emergency Reserve
- C. Reserve for Economic Uncertainties
- D. Water Reliability Reserve

A. OPERATING RESERVE

The Operating Reserve is designated by the Board to maintain a reserve for current operations and to meet routine cash flow needs. The amounts in this reserve will fluctuate depending on the annual operating expenses of Zone 7. Money on deposit in this reserve may be used for:

- unanticipated operating expenses
- daily cash flow requirements
- minor emergencies such as unanticipated infrastructure failures.
- supplement losses to water sales revenue resulting from impacts of drought conditions

- use during periods of unanticipated fluctuations in treated water rate revenues and cost of service in order to offset significant increases in water rates

Minimum Level

The minimum level shall be equal to sixty (60) days of the current annual budgeted total operating expenses.

Target Level

Zone 7 shall strive to maintain a target level equal to ninety (90) days of the current annual budgeted total operating expenses.

Maximum Level

The maximum level shall not exceed one hundred twenty (120) days of the current annual budgeted total operating expenses.

Events or Conditions Prompting the Use of the Fund – This reserve may be routinely utilized to cover temporary cash flow deficiencies caused by timing differences between the receipt of revenue and actual expenses or extraordinary decreases in revenues and unexpected increases in expenses.

B. EMERGENCY RESERVE

This reserve serves as working capital to address early stages of repairs and other activities while the Agency reviews accessing insurance, Federal Emergency Management Agency (FEMA) and other reimbursements, developing other revenue streams or other funding mechanisms to address long term repairs. Funds in the Emergency Reserve can be used for any operating or capital purpose (i) to begin repair of the water enterprise system after a catastrophic event or disaster, such as, but not limited to, an earthquake, fire, terrorist event, or storm while insurance claims are being processed or (ii) in the event of severe financial events that impact the financial soundness of Zone 7. FEMA may provide reimbursement to utilities after a catastrophic event; however, the reimbursement may take up to three years. It is important to have immediate funding available for the repairs, especially given the seismic vulnerability of the region and potential multi-year delays in reimbursement.

Minimum Level

The minimum level shall be equal to two percent (2%) of the capital assets of the Agency's water enterprise system to provide cash on hand for emergency repairs, particularly due to the seismically active location of the Agency.

Target Level

Zone 7 shall strive to maintain a target level equal to two- and one- half percent (2.5%) of the capital assets of the Agency's water enterprise system to provide cash on hand for emergency repairs, particularly due to the seismically active location of the Agency.

Maximum Level

The maximum level shall not exceed three percent (3%) of the capital assets of the enterprise system to provide cash on hand for emergency repairs, particularly due to the seismically active location of the Agency.

Events or Conditions Prompting the Use of the Fund – The Board may designate use of this reserve after establishing that conditions exist as called out in the definition and purpose of the fund and declaring a local state of emergency. Funds will be transferred to the appropriate capital or operating fund as necessary.

C. RESERVE FOR ECONOMIC UNCERTAINTIES

The Agency shall maintain a reserve for uncertain economic conditions. A reserve of this level is prudent to maintain a high bond rating and to protect the Agency from the effects of fluctuations in water usage and the cost of imported water to which the Agency is vulnerable, and other unforeseen events such as a natural disaster, water shortage emergency, or other unanticipated adverse situations.

Minimum Level

The minimum level shall be equal to 10% of current annual budgeted volume-based water sales revenue.

Target Level

The Agency will strive for target level equal to 15% of the current annual budgeted volume-based water sales revenue.

Maximum Level

The maximum level shall not exceed 20% of the current annual budgeted volume-based water sales revenue.

Events or Conditions Prompting the Use of the Fund – The Board may designate use of this reserve after establishing that conditions exist as called out in the definition and purpose of the reserve.

D. WATER RELIABILITY RESERVE

This reserve is designated by the Board to address and proactively prepare for water supply and reliability investments. Monies in this fund may be used to respond to emerging needs, opportunities, or risks related to water supply and reliability, including but not limited to water transfer purchases, drought response measures, and investments in regional/state water reliability project development and construction efforts.

Contributions and withdrawals from this reserve may occur as needed, based on the timing and scale of reliability-related investments or operational requirements, resulting from annual

fluctuations in the State Water Project allocation. The fund is intended to maintain agility and flexibility in addressing water supply challenges and opportunities as they arise.

Minimum, Target, and Maximum Level

This reserve will not be required to have a minimum, target, or maximum level.

Events or Conditions Prompting the Use of the Fund – The Board may designate the use of the reserve to pay for reliability-related investments or operational requirements as necessary to meet water supply demands, payments for planning and/or implementing water supply projects, and any other purpose as mentioned in the definition and purpose of this reserve.

DEBT SERVICE RATE STABILIZATION RESERVE

Debt Rate Stabilization Reserves established by bond requirements may be used to pay debt service if revenues are insufficient to satisfy annual debt service requirements. These reserves shall be within the Water Enterprise Renewal & Replacement and System-Wide Improvements and the Water Enterprise Capital Expansion funds. The target amount shall be equal to two years of each fund's respective share of the 2018 Series A Bonds debt service payment.

Minimum and Maximum Levels

This Reserve will not be required to have a minimum or maximum level.

Target Level

The Agency will strive for target level equal to two years of each fund's respective share of the 2018 Series A Bonds debt service payment.

Events or Conditions Prompting the Use of the Fund – The Board may designate use of this reserve to pay debt service if revenues are insufficient to satisfy annual debt service requirements. If funds from this reserve are used, the Agency is required to replenish the reserves as required by bond covenants.

WATER ENTERPRISE RENEWAL & REPLACEMENT AND SYSTEM-WIDE IMPROVEMENTS RESERVE

In 2017, the Board adopted Resolution No. 17-52 approving a Debt Policy. The policy provides guidelines under which specific projects may be best financed. Under the policy, debt issuance should be evaluated on a case-by-case basis as well as within the Agency's general debt management program. The Agency has historically relied on Water System Reserves to fund capital projects on a pay-as-you-go basis. This approach can work well during periods in which net revenues are strong and capital funding needs are modest. The Agency, under the direction of the Board of Directors will retain full flexibility in determining the best funding approach on a case-by-case basis.

For pay-as-you-go funding, capital reserve funds are accumulated to provide for current and future funding needs of the various capital programs and to facilitate completion of multi-year projects. The amount on deposit in the Water Enterprise Renewal & Replacement and System-Wide Improvements Reserve is earmarked by the Board of Directors for capital projects to meet regulatory requirements, replacement needs and system reliability of Zone 7's water enterprise. These capital projects are included in the Water System Capital Improvement Plan and the Asset Management Program (AMP), both of which are reviewed and approved by the Board of Directors periodically.

Minimum Level

The minimum level shall be equal to 100% of the estimated pay-go capital budget for the fiscal year immediately succeeding the then-current budgeted fiscal year.

Target Level

Not applicable

Maximum Level

Zone 7 will not have a maximum level for this reserve, but rather the fund shall accumulate sufficient reserves to pay for future projects set forth in the AMP and the reserve balance shall be consistent with the reserve balances forecast in the most recent Asset Management Plan and the current Capital Improvement Plan. Funds on deposit in the Debt Service Rate Stabilization Reserve shall not be considered in connection with the calculation of minimum levels.

Events or Conditions Prompting the Use of the Fund – Staff will recommend that assets be constructed, replaced, upgraded and/or repaired during the development and approval of the annual budget. Funds will be appropriated from the Water Enterprise Renewal & Replacement and System-Wide Improvement Reserve for renewal, replacement, or system- wide improvement capital projects.

WATER ENTERPRISE CAPITAL EXPANSION RESERVE

In 2017, the Board adopted Resolution No. 17-52 approving a Debt Policy. The policy provides guidelines under which specific projects may be best financed. Under the policy, debt issuance should be evaluated on a case-by-case basis as well as within the Agency's general debt management program. The Agency has historically relied on Water System Reserves to fund capital projects on a pay-as-you-go basis. This approach can work well during periods in which net revenues are strong and capital funding needs are modest. The Agency, under the direction of the Board of Directors will retain full flexibility in determining the best funding approach on a case-by-case basis.

For pay-as-you-go funding, capital reserve funds are accumulated to provide for current and future funding needs. Money in the Water Enterprise Capital Expansion Reserve is earmarked by the Board of Directors for capital projects to meet additional demands created by development. In furtherance of meeting such needs the Agency incurred certain non- discretionary financial

obligations associated with capital expansion projects. Within this fund are four separate reserves to be used for:

1. The construction of improvements and enlargements to the South Bay Aqueduct (the "SBA Sinking Fund"); and,
2. The Future Contractors' share of the South Bay Aqueduct construction (the "FCSBA Sinking Fund"); and,
3. Any year when revenues are insufficient to satisfy annual debt service requirements (Debt Service Rate Stabilization Reserve).
4. The Water Enterprise Capital Expansion Reserve is used for the funding of capital projects to accommodate development.

Minimum Level

The minimum level shall be equal to 60% of the current annual budgeted non-discretionary amount.

Target Level

Not applicable

Maximum Level

Zone 7 will not have a maximum level for this fund, but rather the fund shall accumulate sufficient reserves to pay for future capital expansion projects as set forth in the capital improvement plan. The Agency may satisfy the minimum amount through the use of lines of credit, interim inter-fund borrowings or other financing arrangements. Funds on deposit in the Debt Service Rate Stabilization Reserve SBA Sinking Fund and FCSBA Sinking Fund shall not be considered in connection with the calculation of minimum or maximum levels of the Water Enterprise Capital Expansion Reserve.

Events or Conditions Prompting the Use of the Fund – Staff will recommend new assets to be constructed during the development and approval of the annual budget. Funds will be appropriated from the Water Enterprise Capital Expansion Reserve for expansion capital projects.

Periodic Review Dates for Balances – Fund balances and projected capital projects will be reviewed by staff, the Board and the public during the development and approval of each budget.

FLOOD PROTECTION OPERATING RESERVE

The amounts in the Flood Protection Operating Reserve Fund will fluctuate depending on the receipt of property taxes and the annual operating expenses of Zone 7. The Flood Protection Operating Reserve is designated by the Board to maintain a reserve for current operations and to meet routine cash flow needs.

Money on deposit in this fund may be used for unanticipated operating expenses, daily cash flow requirements and emergencies.

Minimum Level

The minimum level shall be equal to twenty percent (20%) of the Agency's current annual budgeted flood protection operating expenses, excluding capital.

Target Level

Not applicable

Maximum Level

The maximum level shall not exceed fifty percent (50%) of the current annual budgeted flood protection operating expenses, excluding capital.

Events or Conditions Prompting the Use of the Fund – This fund may be routinely utilized by staff to cover temporary cash flow deficiencies caused by timing differences between revenue and expenses and/or shifts in the allocation of property taxes to Zone 7.

FLOOD PROTECTION CAPITAL PROJECT RESERVE

The Flood Protection Capital Project Reserve holds the balance of funds once the Flood Protection Operating Reserve Fund achieves levels that are consistent with this Policy on an annual basis. The amount on deposit in the Flood Protection Capital Project Reserve is earmarked by the Board of Directors for capital projects to meet Zone 7's flood protection needs. Capital projects are identified and funded during the budget process. The forthcoming Flood Management Plan will direct the Agency's future flood capital projects.

Minimum and Maximum Levels – This Reserve will not be required to have a minimum or maximum level.

Target Level

Not applicable

Events or Conditions Prompting the Use of the Fund – The Flood Protection Project Reserve may be used at any time for flood protection maintenance or improvement projects not related to development.

FLOOD PROTECTION DEVELOPMENT IMPACT FEE PROJECT RESERVE

The purpose of the Flood Protection and Storm Water Drainage Development Impact Fee (DIF) Project Reserve is to ensure that Zone 7 is able to meet current and future needs for Flood Protection facilities and is intended to provide funding for any Flood Protection facilities required to mitigate the impacts of new development. This Reserve will hold development impact fees in connection with Flood Protection improvements related to development.

Minimum and Maximum Levels – This Reserve will not be required to have a minimum or maximum level.

Target Level

Not applicable

Events or Conditions Prompting the Use of the Fund – This Reserve may be used at any time for flood protection projects required to mitigate the impacts of new development.

STATE WATER FACILITIES RESERVE

The amounts in the State Water Facilities Reserve Fund fluctuate depending on the receipt of property taxes and the annual expenses of Zone 7 related to fixed charges for the State Water Project. The State Water Facilities Reserve Fund is designated by the Board to maintain a reserve for fixed costs related to the State Water Project that are not tied to development. This reserve may be used for unanticipated operating expenses, daily cash flow requirements and emergencies related to State Water Project fixed costs. The State Water Project costs are highly volatile and challenging to predict. This reserve will also accumulate funds to offset volatile future increases in State Water Project capital costs, allowing for smoothing of future property tax override collections.

Minimum Level

The minimum level shall be equal to fifty percent (50%) of the following year's projected annual operating expenses.

Target Level

Not applicable

Maximum Level

Zone 7 will not have a maximum level for this reserve. The reserve shall accumulate funds to pay for future State Water Project costs. The maximum level shall be reviewed at least every five years.

Events or Conditions Prompting the Use of the Fund – This fund may be routinely utilized by staff to cover temporary cash flow deficiencies caused by timing differences between revenue and expenses and extraordinary decreases and/or unexpected increases in expenses.

VEHICLE REPLACEMENT RESERVE

The purpose of this reserve is to fund planned replacement of vehicles and equipment that have reached the end of their useful lives. This reserve is funded by direct charges to departments for actual maintenance and operation costs, interest earnings and net proceeds from the sale of replaced vehicles and equipment. The reserve will be drawn down as replacement vehicles and equipment are purchased. This reserve shall have no minimum, maximum or target.

7. POLICY REVIEW

The General Manager, or designee (Treasurer/Assistant General Manager – Finance), will be responsible for reviewing and updating this Reserve Policy every five years, and presenting any recommended revisions to the Board of Directors for adoption.

8. HISTORY

| Date | Action | Resolution |
|--------------------|--------------------|-------------------|
| August 8, 1985 | Originally adopted | Minute Order |
| September 28, 2016 | Updated | 16-166 |
| May 15, 2019 | Updated | 19-37 |
| December 18, 2024 | Updated | 24-106 |
| TBD | Updated | 25-____ |

POLICY AND PROCEDURE

| | | |
|---|--------------------------------------|---|
| POLICY TITLE: Reserve Policy | NUMBER: Z7AF-140-16 | PAGE: 1 of 11 |
| APPROVED BY: Board of Directors Authorizing Resolution No. 24-106 | REVISION: 3 | EFFECTIVE DATE: December 18, 2024 |

1. POLICY STATEMENT

The purpose of this policy is to ensure Zone 7 Water Agency ("Zone 7" or "the Agency") operates in a productive, cost-effective and efficient manner. A robust reserve policy demonstrates to the community of rate payers, bondholders, and rating and regulatory agencies that the Board of Directors is committed to the Agency's long-term financial health, stability, and viability. Prudent financial management dictates the Agency maintain appropriate reserves for operating and capital needs, debt obligations, and funding for emergencies and unforeseen events.

The Agency will strive to have sufficient funding available to meet its operating, capital, and debt service obligations. Reserve Funds ("Funds") will be accumulated, designated and maintained to allow Zone 7 to fund operating expenses and capital expenditures in a manner consistent with its budget and capital improvement plan, respectively, and avoid significant customer rate fluctuations due to changes in cash flow requirements. Further, Zone 7 will endeavor to designate funds for all forms of potential disasters, emergencies and unforeseen events to ensure that funds are available to cover the costs associated therewith.

The Zone 7 Board of Directors (the "Board") adopted a Financial Management Framework (the "Framework") on November 16, 2011 (Resolution Number 11-4137) which includes planning for current operating and capital resource needs to ensure it can achieve its mission by providing for financial stability and health of the Agency. This Final Reserve Policy has been developed in keeping with the Framework after evaluating the efficacy of an Interim Reserve Policy adopted in 2013. One of the Framework's goals is to be able to respond to changes in the economic environment and service demands with minimal impact on its customers while maintaining the financial integrity of Zone 7. A fundamental purpose of this policy is to link what must be accomplished with the necessary resources to successfully do so.

The Policy directives outlined in this document are intended to ensure Zone 7 has sufficient funds to meet current and future needs. The Agency shall maintain reserve levels, as directed by the Board, through the strategic planning and budget processes.

2. FUNDS

Zone 7 maintains financial assets in separate funds that are clearly identifiable and segregated for specific purposes in accordance with laws and regulations. The Agency shall not commingle funds that are established under different functions of the Agency nor shall it commingle developer fees with operational funding.

This Policy establishes Reserve Funds for each of the following major funding areas.

Water Enterprise Operations and Capital Projects Fund (Funds 100 and 120)

These funds account for enterprise operation and administration, emergency and support services, variable State Water Project charges, water facilities maintenance and operation, water facilities, water resources and water supply planning, and renewal, replacement and system- wide improvement types of capital projects.

State Water Project Fund (Fund 110)

This fund is used for fixed State Water Project charges, including State Water Project bonded indebtedness.

Water Enterprise Capital Expansion Fund (Fund 130)

Expansion is funded by water connection fee revenue imposed on new development to fund new development's fair share of capital projects necessary to accommodate growth. These water connection fees are subject to the provisions contained in the California Mitigation Fee Act (Government Code § 66000 et seq.)

Flood Protection Operations Fund (Fund 200)

This fund provides for general administration and regional flood control services, including renewal, replacement and system-wide improvement types of capital projects to ensure the controlled runoff of the Valley's excess stormwater runoff.

Flood Protection Development Impact Fee Fund (Fund 210)

Expansion is funded by development impact fees imposed on new development to pay for new development's fair share of the acquisition, construction, engineering and improvement of the flood protection and/or storm water drainage elements of the Stream Management Master Plan of Zone 7, or to reduce the principal or interest of any bonded indebtedness thereof. Development fees are collected in accordance with the California Mitigation Fee Act (Government Code § 66000 et seq.)

3. RESERVE FUND DEFINITIONS

Restricted Reserves: Restrictions on the use of these funds are imposed by an outside source such as creditors, grantors, contributors, laws, or regulations, for example water connection fees or flood protection developer impact fees per the California Mitigation Fee Act.

Designated Reserves: Funds set aside for a specific purpose determined by Zone 7's Board of Directors as documented by minute order, resolution or ordinance. The Board of Directors has the authority to redirect the use of these funds as needs of the Agency change.

Unrestricted Reserves: Have no imposed restrictions as to their use.

4. GENERAL PROVISIONS

Purpose of Reserve Funds

Reserves are established to:

- Comply with applicable statutory requirements
- Finance future capital facilities, finance improvements, and repair and replacement of existing assets
- Assure cash flow requirements are met
- Provide for economic uncertainties, local disasters, and other financial hardships or downturns in the local or national economy
- Provide for contingencies, emergencies or unforeseen operating or capital needs
- Meet bond covenant requirements

Segregation of Funds

The Agency will not transfer moneys between reserve funds that are established under different functions of the Agency. The Agency may complete interfund borrowing between reserves of different functions of the Agency at current market rates. The Board shall approve any reallocation of funds or any transfers among Reserve Funds.

Periodic Review Dates for Balances

Fund balances and target levels will be reviewed by staff, the Board and the public during the development and approval of each budget, annual financial audit and periodic water rate discussions.

5. POLICY COMPLIANCE

The Minimum established for each reserve represents the target that is acceptable from both risk and long-range financial planning perspectives, as well as demonstrating financial stability to the rating agencies and lending institutions. Maintaining fund balances at appropriate levels is a prudent, ongoing business process that consists of an iterative, dynamic assessment and application of various revenue generating alternatives and cost management measures. To ensure reliable service to its ratepayers and to maintain fiscal responsibility, in every fiscal year Zone 7 will maintain balances in its Reserve Funds that are financially prudent.

Upon Board adoption of this policy, necessary actions will be taken to comply with this policy. Periodic reviews will ensure that reserves are in compliance with policy. In the event that a reserve has fallen below the minimum, and other reserves are above minimum and/or maximum, a transfer(s) shall be made from other reserve(s) within that fund to bring the non-compliant reserve to the minimum level. If reserves are depleted, the reserves shall be replenished within the two (2) year budget period to the established or re-established target through revenue generating alternatives and/or cost management measures. If cumulative reserves within a fund exceed maximum levels, a report will be made to the Board and alternative solutions considered.

Revenue-generating alternatives and cost management measures (either alone or in combination with each other) include, but are not limited to:

- rates, fees and charges
- capital financing
- investment of funds
- grants
- energy efficiencies
- pooled services/equipment agreements
- chemical purchase consortiums
- deferral or acceleration of capital projects, as appropriate

6. RESERVE FUND TARGET LEVELS AND MANAGEMENT

The following section describes Zone 7 reserves, target levels and management of funds.

WATER ENTERPRISE OPERATIONS FUND RESERVES

The Water Enterprise Operations fund has ~~three~~four reserve categories:

- A. Operating Reserve
- B. Emergency Reserve
- C. Reserve for Economic Uncertainties
- D. Water Reliability Reserve

A. OPERATING RESERVE

The Operating Reserve is designated by the Board to maintain a reserve for current operations and to meet routine cash flow needs. The amounts in this reserve will fluctuate depending on the annual operating expenses of Zone 7. Money on deposit in this reserve may be used for:

- unanticipated operating expenses
- daily cash flow requirements
- minor emergencies such as unanticipated infrastructure failures.
- supplement losses to water sales revenue resulting from impacts of drought conditions

- use during periods of unanticipated fluctuations in treated water rate revenues and cost of service in order to offset significant increases in water rates

Minimum Level

The minimum level shall be equal to sixty (60) days of the current annual budgeted total operating expenses.

Target Level

Zone 7 shall strive to maintain a target level equal to ninety (90) days of the current annual budgeted total operating expenses.

Maximum Level

The maximum level shall not exceed one hundred twenty (120) days of the current annual budgeted total operating expenses.

Events or Conditions Prompting the Use of the Fund – This reserve may be routinely utilized to cover temporary cash flow deficiencies caused by timing differences between the receipt of revenue and actual expenses or extraordinary decreases in revenues and unexpected increases in expenses.

B. EMERGENCY RESERVE

This reserve serves as working capital to address early stages of repairs and other activities while the Agency reviews accessing insurance, Federal Emergency Management Agency (FEMA) and other reimbursements, developing other revenue streams or other funding mechanisms to address long term repairs. Funds in the Emergency Reserve can be used for any operating or capital purpose (i) to begin repair of the water enterprise system after a catastrophic event or disaster, such as, but not limited to, an earthquake, fire, terrorist event, or storm while insurance claims are being processed or (ii) in the event of severe financial events that impact the financial soundness of Zone 7. FEMA may provide reimbursement to utilities after a catastrophic event; however, the reimbursement may take up to three years. It is important to have immediate funding available for the repairs, especially given the seismic vulnerability of the region and potential multi-year delays in reimbursement.

Minimum Level

The minimum level shall be equal to two percent (2%) of the capital assets of the Agency's water enterprise system to provide cash on hand for emergency repairs, particularly due to the seismically active location of the Agency.

Target Level

Zone 7 shall strive to maintain a target level equal to two- and one- half percent (2.5%) of the capital assets of the Agency's water enterprise system to provide cash on hand for emergency repairs, particularly due to the seismically active location of the Agency.

Maximum Level

The maximum level shall not exceed three percent (3%) of the capital assets of the enterprise system to provide cash on hand for emergency repairs, particularly due to the seismically active location of the Agency.

Events or Conditions Prompting the Use of the Fund – The Board may designate use of this reserve after establishing that conditions exist as called out in the definition and purpose of the fund and declaring a local state of emergency. Funds will be transferred to the appropriate capital or operating fund as necessary.

C. RESERVE FOR ECONOMIC UNCERTAINTIES

The Agency shall maintain a reserve for uncertain economic conditions. A reserve of this level is prudent to maintain a high bond rating and to protect the Agency from the effects of fluctuations in water usage and the cost of imported water to which the Agency is vulnerable, and other unforeseen events such as a natural disaster, water shortage emergency, or other unanticipated adverse situations.

Minimum Level

The minimum level shall be equal to 10% of current annual budgeted volume-based water sales revenue.

Target Level

The Agency will strive for target level equal to 15% of the current annual budgeted volume-based water sales revenue.

Maximum Level

The maximum level shall not exceed 20% of the current annual budgeted volume-based water sales revenue.

Events or Conditions Prompting the Use of the Fund – The Board may designate use of this reserve after establishing that conditions exist as called out in the definition and purpose of the reserve.

D. WATER RELIABILITY RESERVE

This reserve is designated by the Board to address and proactively prepare for water supply and reliability investments. Monies in this fund may be used to respond to emerging needs, opportunities, or risks related to water supply and reliability, including but not limited to water transfer purchases, drought response measures, and investments in regional/state water reliability project development and construction efforts.

Contributions and withdrawals from this reserve may occur as needed, based on the timing and scale of reliability-related investments or operational requirements, resulting from annual

fluctuations in the State Water Project allocation. The fund is intended to maintain agility and flexibility in addressing water supply challenges and opportunities as they arise.

Minimum, Target, and Maximum Level

This reserve will not be required to have a minimum, target, or maximum level.

Events or Conditions Prompting the Use of the Fund – The Board may designate the use of the reserve to pay for reliability-related investments or operational requirements as necessary to meet water supply demands, payments for planning and/or implementing water supply projects, and any other purpose as mentioned in the definition and purpose of this reserve.

DEBT SERVICE RATE STABILIZATION RESERVE

Debt Rate Stabilization Reserves established by bond requirements may be used to pay debt service if revenues are insufficient to satisfy annual debt service requirements. These reserves shall be within the Water Enterprise Renewal & Replacement and System-Wide Improvements and the Water Enterprise Capital Expansion funds. The target amount shall be equal to two years of each fund's respective share of the 2018 Series A Bonds debt service payment.

Minimum and Maximum Levels

This Reserve will not be required to have a minimum or maximum level.

Target Level

The Agency will strive for target level equal to two years of each fund's respective share of the 2018 Series A Bonds debt service payment.

Events or Conditions Prompting the Use of the Fund – The Board may designate use of this reserve to pay debt service if revenues are insufficient to satisfy annual debt service requirements. If funds from this reserve are used, the Agency is required to replenish the reserves as required by bond covenants.

WATER ENTERPRISE RENEWAL & REPLACEMENT AND SYSTEM-WIDE IMPROVEMENTS RESERVE

In 2017, the Board adopted Resolution No. 17-52 approving a Debt Policy. The policy provides guidelines under which specific projects may be best financed. Under the policy, debt issuance should be evaluated on a case-by-case basis as well as within the Agency's general debt management program. The Agency has historically relied on Water System Reserves to fund capital projects on a pay-as-you-go basis. This approach can work well during periods in which net revenues are strong and capital funding needs are modest. The Agency, under the direction of the Board of Directors will retain full flexibility in determining the best funding approach on a case-by-case basis.

For pay-as-you-go funding, capital reserve funds are accumulated to provide for current and future funding needs of the various capital programs and to facilitate completion of multi-year projects. The amount on deposit in the Water Enterprise Renewal & Replacement and System-Wide Improvements Reserve is earmarked by the Board of Directors for capital projects to meet regulatory requirements, replacement needs and system reliability of Zone 7's water enterprise. These capital projects are included in the Water System Capital Improvement Plan and the Asset Management Program (AMP), both of which are reviewed and approved by the Board of Directors periodically.

Minimum Level

The minimum level shall be equal to 100% of the estimated pay-go capital budget for the fiscal year immediately succeeding the then-current budgeted fiscal year.

Target Level

Not applicable

Maximum Level

Zone 7 will not have a maximum level for this reserve, but rather the fund shall accumulate sufficient reserves to pay for future projects set forth in the AMP and the reserve balance shall be consistent with the reserve balances forecast in the most recent Asset Management Plan and the current Capital Improvement Plan. Funds on deposit in the Debt Service Rate Stabilization Reserve shall not be considered in connection with the calculation of minimum levels.

Events or Conditions Prompting the Use of the Fund – Staff will recommend that assets be constructed, replaced, upgraded and/or repaired during the development and approval of the annual budget. Funds will be appropriated from the Water Enterprise Renewal & Replacement and System-Wide Improvement Reserve for renewal, replacement, or system- wide improvement capital projects.

WATER ENTERPRISE CAPITAL EXPANSION RESERVE

In 2017, the Board adopted Resolution No. 17-52 approving a Debt Policy. The policy provides guidelines under which specific projects may be best financed. Under the policy, debt issuance should be evaluated on a case-by-case basis as well as within the Agency's general debt management program. The Agency has historically relied on Water System Reserves to fund capital projects on a pay-as-you-go basis. This approach can work well during periods in which net revenues are strong and capital funding needs are modest. The Agency, under the direction of the Board of Directors will retain full flexibility in determining the best funding approach on a case-by-case basis.

For pay-as-you-go funding, capital reserve funds are accumulated to provide for current and future funding needs. Money in the Water Enterprise Capital Expansion Reserve is earmarked by the Board of Directors for capital projects to meet additional demands created by development. In furtherance of meeting such needs the Agency incurred certain non- discretionary financial

obligations associated with capital expansion projects. Within this fund are four separate reserves to be used for:

1. The construction of improvements and enlargements to the South Bay Aqueduct (the "SBA Sinking Fund"); and,
2. The Future Contractors' share of the South Bay Aqueduct construction (the "FCSBA Sinking Fund"); and,
3. Any year when revenues are insufficient to satisfy annual debt service requirements (Debt Service Rate Stabilization Reserve).
4. The Water Enterprise Capital Expansion Reserve is used for the funding of capital projects to accommodate development.

Minimum Level

The minimum level shall be equal to 60% of the current annual budgeted non-discretionary amount.

Target Level

Not applicable

Maximum Level

Zone 7 will not have a maximum level for this fund, but rather the fund shall accumulate sufficient reserves to pay for future capital expansion projects as set forth in the capital improvement plan. The Agency may satisfy the minimum amount through the use of lines of credit, interim inter-fund borrowings or other financing arrangements. Funds on deposit in the Debt Service Rate Stabilization Reserve SBA Sinking Fund and FCSBA Sinking Fund shall not be considered in connection with the calculation of minimum or maximum levels of the Water Enterprise Capital Expansion Reserve.

Events or Conditions Prompting the Use of the Fund – Staff will recommend new assets to be constructed during the development and approval of the annual budget. Funds will be appropriated from the Water Enterprise Capital Expansion Reserve for expansion capital projects.

Periodic Review Dates for Balances – Fund balances and projected capital projects will be reviewed by staff, the Board and the public during the development and approval of each budget.

FLOOD PROTECTION OPERATING RESERVE

The amounts in the Flood Protection Operating Reserve Fund will fluctuate depending on the receipt of property taxes and the annual operating expenses of Zone 7. The Flood Protection Operating Reserve is designated by the Board to maintain a reserve for current operations and to meet routine cash flow needs.

Money on deposit in this fund may be used for unanticipated operating expenses, daily cash flow requirements and emergencies.

Minimum Level

The minimum level shall be equal to twenty percent (20%) of the Agency's current annual budgeted flood protection operating expenses, excluding capital.

Target Level

Not applicable

Maximum Level

The maximum level shall not exceed fifty percent (50%) of the current annual budgeted flood protection operating expenses, excluding capital.

Events or Conditions Prompting the Use of the Fund – This fund may be routinely utilized by staff to cover temporary cash flow deficiencies caused by timing differences between revenue and expenses and/or shifts in the allocation of property taxes to Zone 7.

FLOOD PROTECTION CAPITAL PROJECT RESERVE

The Flood Protection Capital Project Reserve holds the balance of funds once the Flood Protection Operating Reserve Fund achieves levels that are consistent with this Policy on an annual basis. The amount on deposit in the Flood Protection Capital Project Reserve is earmarked by the Board of Directors for capital projects to meet Zone 7's flood protection needs. Capital projects are identified and funded during the budget process. The forthcoming Flood Management Plan will direct the Agency's future flood capital projects.

Minimum and Maximum Levels – This Reserve will not be required to have a minimum or maximum level.

Target Level

Not applicable

Events or Conditions Prompting the Use of the Fund – The Flood Protection Project Reserve may be used at any time for flood protection maintenance or improvement projects not related to development.

FLOOD PROTECTION DEVELOPMENT IMPACT FEE PROJECT RESERVE

The purpose of the Flood Protection and Storm Water Drainage Development Impact Fee (DIF) Project Reserve is to ensure that Zone 7 is able to meet current and future needs for Flood

Protection facilities and is intended to provide funding for any Flood Protection facilities required to mitigate the impacts of new development. This Reserve will hold development impact fees in connection with Flood Protection improvements related to development.

Minimum and Maximum Levels – This Reserve will not be required to have a minimum or maximum level.

Target Level

Not applicable

Events or Conditions Prompting the Use of the Fund – This Reserve may be used at any time for flood protection projects required to mitigate the impacts of new development.

STATE WATER FACILITIES RESERVE

The amounts in the State Water Facilities Reserve Fund fluctuate depending on the receipt of property taxes and the annual expenses of Zone 7 related to fixed charges for the State Water Project. The State Water Facilities Reserve Fund is designated by the Board to maintain a reserve for fixed costs related to the State Water Project that are not tied to development. This reserve may be used for unanticipated operating expenses, daily cash flow requirements and emergencies related to State Water Project fixed costs. The State Water Project costs are highly volatile and challenging to predict. This reserve will also accumulate funds to offset volatile future increases in State Water Project capital costs, allowing for smoothing of future property tax override collections.

Minimum Level

The minimum level shall be equal to fifty percent (50%) of the following year's projected annual operating expenses.

Target Level

Not applicable

Maximum Level

Zone 7 will not have a maximum level for this reserve. The reserve shall accumulate funds to pay for future State Water Project costs. The maximum level shall be reviewed at least every five years.

Events or Conditions Prompting the Use of the Fund – This fund may be routinely utilized by staff to cover temporary cash flow deficiencies caused by timing differences between revenue and expenses and extraordinary decreases and/or unexpected increases in expenses.

VEHICLE REPLACEMENT RESERVE

The purpose of this reserve is to fund planned replacement of vehicles and equipment that have reached the end of their useful lives. This reserve is funded by direct charges to departments for

actual maintenance and operation costs, interest earnings and net proceeds from the sale of replaced vehicles and equipment. The reserve will be drawn down as replacement vehicles and equipment are purchased. This reserve shall have no minimum, maximum or target.

7. POLICY REVIEW

The General Manager, or designee (Treasurer/Assistant General Manager – Finance), will be responsible for reviewing and updating this Reserve Policy every five years, and presenting any recommended revisions to the Board of Directors for adoption.

8. HISTORY

| Date | Action | Resolution |
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| August 8, 1985 | Originally adopted | Minute Order |
| September 28, 2016 | Updated | 16-166 |
| May 15, 2019 | Updated | 19-37 |
| December 18, 2024 | Updated | 24-106 |
| <u>TBD</u> | <u>Updated</u> | <u>25-</u> |

DATE: May 28, 2025**TO:** Finance Committee**FROM:** Osborn Solitei, Treasurer/Assistant General Manager - Finance**SUBJECT:** FY 2024-25 Unaudited Third Quarter Revenue and Expenditure Report**SUMMARY:**

The proposed action is in support of Strategic Plan Goal H – Fiscal Responsibility: Operate the Agency in a fiscally responsible manner, and Strategic Plan Initiative No. 21 – Continue to effectively manage financial resources for the Agency. In carrying out these fiscal responsibilities, staff provides quarterly financial reports to the Finance Committee and the Board. This quarterly report provides a summary of unaudited revenue and expenditures, fiscal year-end projections, and explanations of any major variances through the third quarter of fiscal year (FY) 2024-25 (July 1, 2024 – March 31, 2025) for the following funds:

- › Fund 100 – Water Enterprise Operations
- › Fund 110 – State Water Facilities
- › Fund 120 – Water Enterprise Renewal/Replacement & System-Wide Improvements
- › Fund 130 – Water Enterprise Capital Expansion
- › Fund 200 – Flood Protection Operations
- › Fund 210 – Flood Protection Development Impact Fee Fund (DIF)

Highlights of this report include:

- › **Los Vaqueros Reservoir Expansion Project** –
 - › March 16, 2025 - Agency received \$1.59M in refunds from the Los Vaqueros Reservoir Expansion project. The distribution of remaining funds to member agencies was a necessary step to dissolve the Joint Powers Authority (JPA). The refund was allocated to Funds 100 – Water Enterprise Operations (80%) and Fund 130 – Water Enterprise Capital Expansion (20%).
 - › April 9, 2025 - JPA Board voted to formally dissolve the JPA.
- › **Reserve Policy** – At the April 9, 2025, Finance Committee meeting, staff was directed to amend the Reserve Policy to include a Water Reliability Reserve Fund in Fund 100. This reserve is proposed to address and proactively prepare for water supply and reliability investments and is proposed to have no assigned minimum, target, or maximum funding levels. If approved by the Board, the Water Reliability Reserve Fund balance will be reflected in the fourth quarter revenue and expenditure report.

- › **Integrated Regional Water Management (IRWM) Grant** – On April 22, 2025, DWR formally awarded Zone 7's Wells and Mocho Groundwater Demineralization Plant Electrical Modernization Project with a grant of \$1.23M for the project
- › **2025 State Water Project Allocation** – On April 29, 2025, the Department of Water Resources (DWR) increased the 2025 State Water Project (SWP) allocation to 50% due to California's snowpack beginning to melt and flow into the state's watersheds and further filling up the reservoirs.

ANALYSIS:

The Agency maintains several funds that are grouped into two categories – Unrestricted Fund Balances and Restricted Fund Balances.

UNRESTRICTED FUNDS

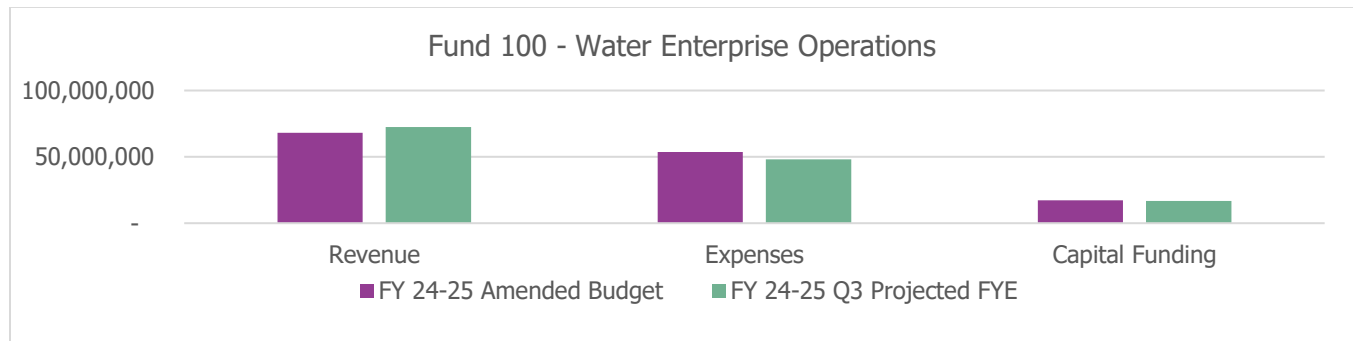
Unrestricted Fund Balance: This describes the portion of fund balance which is not restricted to use. To facilitate the discussion of reserve funds, this report will categorize the various funds as "Unrestricted Reserves" and "Restricted Reserves." In general, Board policy can most affect Unrestricted Reserves.

Fund 100 – Water Enterprise Operations Fund

Primary Funding Source: Water Rates

The purpose of this fund is to ensure the delivery of high-quality drinking and irrigation water to the Livermore-Amador Valley. This operations and maintenance fund includes water treatment and distribution of potable (drinking) water, distribution of untreated agricultural/irrigation water, and groundwater management. Water distributed is a combination of locally stored and imported water from the SWP. Activities include water treatment, water quality analysis, water resource management, groundwater recharge and protection, maintenance, out-of-area water banking infrastructure, and water supply planning and engineering.

The following graph shows the FY 2024-25 Amended Budget and third quarter (Q3) projected fiscal year-end (FYE) revenues, expenditures, and capital funding.



Details of Revenue and Expenses for Fund 100

| Fund 100 - Water Enterprise Operations | FY 24-25 Amended Budget | FY 24-25 Q3 YTD Actual | FY 24-25 Q3 Projected FYE | Year-End Over / (Under) Budget |
|--|-------------------------|------------------------|---------------------------|--------------------------------|
| Audited Beg. Fund Balance | \$32,050,000 | \$32,031,810 | \$32,032,000 | (\$18,000) |
| Revenue | | | | |
| Water Sales ¹ | 67,393,000 | 50,400,324 | 68,831,000 | 1,438,000 |
| Investment Earnings ² | 479,000 | 660,211 | 900,000 | 421,000 |
| Other Revenue ³ | 313,000 | 2,022,759 | 2,723,000 | 2,410,000 |
| Total Revenue | \$68,185,000 | \$53,083,294 | \$72,454,000 | 4,269,000 |
| Expenses | | | | |
| Labor ⁴ | 20,801,000 | 16,276,170 | 20,616,000 | (185,000) |
| Professional Services ⁵ | 4,909,000 | 1,823,907 | 3,201,000 | (1,708,000) |
| Legal Services | 455,000 | 205,213 | 455,000 | - |
| County Services | 1,133,000 | 834,633 | 1,133,000 | - |
| Insurance Services | 850,000 | 819,839 | 875,000 | 25,000 |
| Water ⁶ | 9,268,000 | 4,406,432 | 5,370,000 | (3,898,000) |
| Chemicals ⁶ | 4,000,000 | 3,008,269 | 4,208,000 | 208,000 |
| Utilities ⁶ | 2,308,000 | 1,714,985 | 2,856,000 | 548,000 |
| Repairs and Maintenance | 2,478,000 | 1,816,605 | 2,478,000 | - |
| Rental Services | 119,000 | 80,938 | 119,000 | - |
| General/Other Supplies | 1,913,000 | 1,320,001 | 1,760,000 | (153,000) |
| Other Services | 455,000 | 298,308 | 325,000 | (130,000) |
| Debt Service | 4,976,000 | 4,975,088 | 4,976,000 | - |
| Total Operating Expenses | \$53,665,000 | \$37,580,388 | \$48,372,000 | (\$5,293,000) |
| Capital Funding ⁷ | 17,118,000 | 12,475,379 | 16,647,000 | (471,000) |
| Total Expenses | \$70,783,000 | \$50,055,767 | \$65,019,000 | (\$5,764,000) |
| Estimated Revenue over Expenses | (2,598,000) | 3,027,527 | 7,435,000 | 10,032,000 |
| Estimated Carryovers | | | (825,000) | (825,000) |
| Ending Fund Balance | \$29,452,000 | \$35,059,337 | \$38,642,000 | \$9,189,000 |

Note: Values are rounded to the thousands.

Revenue

- 1. Water Sales:** Year-to-date (YTD) water sales revenue reflects water sales through March 31, 2025. Water sales revenue is up approximately 11% from this time last year due to the Board adopted rate revenue increase (5.5% for CY 2025) and a 4% increase in treated water deliveries as compared to the third quarter of FY 2023-24. The projected year-end water sales revenue is based on trends.
- 2. Investment Earnings:** Projected year-end investment earnings exceed budget and reflect current favorable market conditions.
- 3. Other revenue:** Includes a one-time reimbursement of \$1.59M from the Los Vaqueros Reservoir Expansion project. Fund 100 received 80% (~\$1.27M) of the reimbursement. The remaining 20% (~\$318K) was allocated to Fund 130. The year-end projection includes other revenues such as DWR refunds.

Expenditures

4. Labor: YTD labor includes payroll through March 31, 2025. A 4% cost of living adjustment took effect July 1, 2024, and three positions were added to the budget via Resolution No. 24-95, dated November 20, 2024. As of March 31, 2025, the Agency had a 17% vacancy rate. The year-end projection reflects YTD trends.

5. Professional Services: Includes professional services related to water enterprise operations. The year-end projection is less than the budget because of the following multi-year services. These efforts will continue into FY 2025-26.

- › Water supply model (~\$113K)
- › ADV Water Rights CEQA Compliance (~\$175K)
- › Demand Study and Urban Water Management Plan (~\$150K)
- › Legislative Advocacy Services (~\$60K)
- › Engineering Support for Water Quality Studies (~\$125K)
- › Groundwater model update (~\$190K)
- › Water Infrastructure Act Risk and Resiliency (~\$70K)

The projection is also less than budget due to as-needed services (~\$395K), and budgeted contingency (~\$250K).

6. Water production costs: Includes Water, Chemicals, and Utilities.

Water: The SWP allocation for CY 2024 was 40% and the current allocation for CY 2025 is 50%. YTD expenses are primarily made up of the SWP conveyance costs and six months of the Delta Conveyance Project (DCP) participation costs (CY 2024 funding). The following table summarizes the primary drivers for the year-end projection.

| | 2024-25 Adopted Budget | Q3 Year-end Projection | Difference | Reason for Projected Variance |
|---|---------------------------|---------------------------|---------------|---|
| SWP Conveyance Costs | \$3,000,000 | \$3,424,000 | \$424,000 | Budget planned for dry conditions for CY 2025. SWP allocation is higher than expected at 50% for CY 2025. |
| Delta Conveyance Project Funding | \$3,300,000 | \$1,187,000 | (\$2,113,000) | Per Resolution No. 24-28, dated October 16, 2024 – Agency approved funding for pre-construction for CYs 2026 and 2027. No funding is required for CY 2025. |
| Water Transfers | \$1,000,000 | \$52,000 | (\$948,000) | No water transfers anticipated this FY according to the current water operations plan. Actual expenses represent administrative costs from the Sutter Extension Water District Agreement. |
| Water Banking Program | \$1,778,000 | \$559,000 | (\$1,219,000) | The current water operations plan indicates no planned recovery/storage will occur before the end of the FY. The actuals represent the annual fixed charge to Semitropic. |

Chemicals and Utilities: The YTD chemical expenditures are up 14% from this time last year due to continued inflationary cost increases. YTD utility costs are trending closely to last year's costs. The year-end projection is based on current unit cost estimates and trends.

- 7. Capital Funding:** The projected capital funding is less than budget as the budget assumes a 3% annual adjustment, and the actual Engineering News Record Construction Cost Index (ENRCCI) adjustment from June 2023 to June 2024 was 0.001%.

Reserves

Per Initiative No. 21 of the Agency's Strategic Plan, the Agency shall maintain target levels of reserves. As of March 31, 2025, Fund 100 reserves are fully funded at the target level. The FYE unallocated fund balance is projected to be approximately \$10M. The table below compares Minimum, Target, and Maximum reserves to projected FYE reserves.

| Fund 100 Reserves | Minimum | Target | Maximum | FY 24-25 Q3 Projected FYE | Above/(Below) Target |
|---|---------------------|---------------------|---------------------|----------------------------------|-----------------------------|
| Operating Reserves ¹ | \$8,601,000 | \$12,902,000 | \$17,202,000 | \$12,902,000 | - |
| Emergency Reserves ² | 6,803,000 | 8,503,000 | 10,204,000 | 8,503,000 | - |
| Reserve for Economic Uncertainties ³ | 3,532,000 | 5,298,000 | 7,065,000 | 5,298,000 | - |
| Subtotal | \$18,936,000 | \$26,703,000 | \$34,471,000 | \$26,703,000 | - |
| Pension Trust Fund | | | | 1,920,000 | - |
| Unallocated Balance | | | | 10,019,000 | 10,019,000 |
| Total Reserves | \$18,936,000 | \$26,703,000 | \$34,471,000 | \$38,642,000 | \$10,019,000 |

Note: Values rounded to the thousands.

¹The FY 24-25 Q3 projected FYE Operating Reserve is funded at the target level of 90 days of operating expenses.

²The FY 24-25 Q3 projected FYE Emergency Reserve is funded at the target level of 2.5% of Water Enterprise assets.

³The FY 24-25 Q3 projected FYE Reserve for Economic Uncertainties is funded at 15% of FY 24-25 budgeted volume-based water sales revenue.

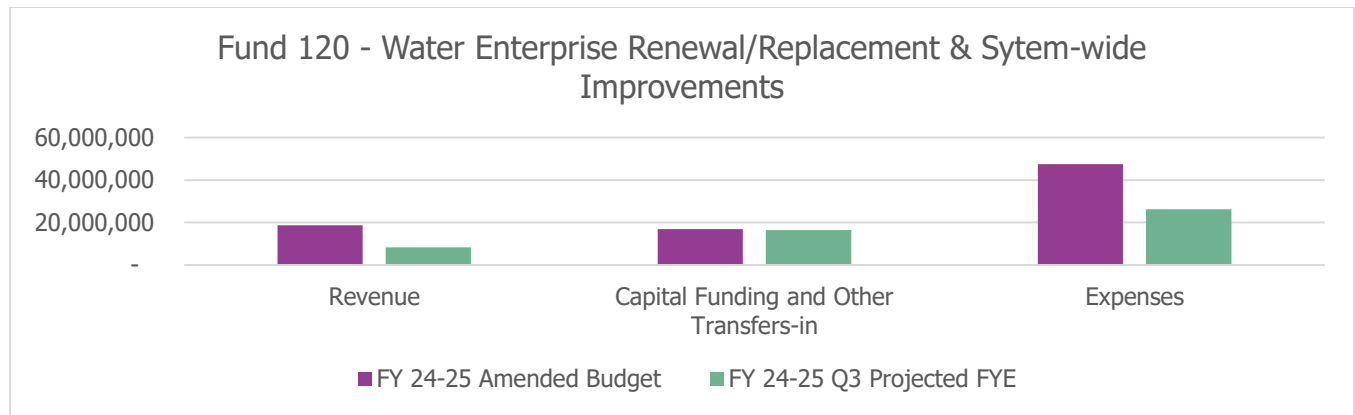
Fund 120 – Water Renewal/Replacement & System-Wide Improvements

This is a sub-fund of the Fund 100 – Water Enterprise Operations Fund

Primary Funding Source: Water Rates via a transfer from Fund 100

The purpose of this fund is to ensure funding is available for capital renewal, replacement, and system-wide improvement projects needed to keep the current water treatment and delivery systems functioning effectively. Fund 120 pays for capital projects as outlined in the Agency's asset management program and the capital improvement program.

The following graph shows the FY 2024-25 Amended Budget and Q3 projected FYE revenue, capital funding, and expenditures.



Note: When expenses exceed revenue, capital reserves (working capital) are being expended.

Details of Revenue and Expenses for Fund 120

| Fund 120 - Water Enterprise Renewal/Replacement & Systemwide Improvements | FY 24-25 Amended Budget | FY 24-25 Q3 YTD Actual | FY 24-25 Q3 Projected FYE | Year-End Over/(Under) Budget |
|---|-------------------------|------------------------|---------------------------|------------------------------|
| Audited Beginning Fund Balance | \$70,914,000 | \$81,633,309 | \$81,633,000* | \$10,719,000 |
| Revenue | | | | |
| Investment Earnings ¹ | 1,378,000 | 2,090,317 | 2,600,000 | 1,222,000 |
| Other Revenue ² | 452,000 | 8,537 | 234,000 | (218,000) |
| DWR Grant ³ | 16,958,000 | - | 5,460,000 | (11,498,000) |
| Total Revenue | \$18,788,000 | \$2,098,854 | \$8,294,000 | (\$10,494,000) |
| Other Financing Sources | | | | |
| Capital Funding ⁴ | 16,912,000 | 12,330,546 | 16,441,000 | (471,000) |
| Total Other Financing Sources | \$16,912,000 | \$12,330,546 | \$16,441,000 | (\$471,000) |
| Expenses | | | | |
| Labor ⁵ | 2,118,000 | 1,176,848 | 1,569,000 | (549,000) |
| Capital Projects ⁶ | 45,296,000 | 15,999,290 | 24,053,000 | (21,243,000) |
| Total Expenses | \$47,414,000 | \$17,176,138 | \$25,622,000 | (\$21,792,000) |
| Estimated Revenue/Other Financing Sources over Expenses | (11,714,000) | (2,746,738) | (887,000) | 10,827,000 |
| Estimated Carryovers | | | (16,157,000) | (16,157,000) |
| Ending Fund Balance | \$59,200,000 | \$78,886,571 | \$64,589,000 | \$5,389,000 |

Note: Values are rounded to the thousands.

* The audited beginning fund balance is approximately \$10.7M higher than budget due to the partial receipt of the Stoneridge PFAS Treatment Facility grant in FY 2023-24.

Revenue

- Investment Earnings:** Projected investment earnings exceed budget and reflect current favorable market conditions.

- 2. Other Revenue:** The year-end projections includes partial receipt of the City of Pleasanton's 50% cost share of the Regional Groundwater Project. The project is underway and will continue into FY 2025-26.
- 3. DWR Grant:** The Agency was formally awarded \$16M for the Stoneridge PFAS Treatment Facility project in September 2023. The year-end projection is less than budget as the Agency received approximately \$11.5M in FY 2023-24 and anticipates receiving the remaining grant funds this year.
- 4. Capital Funding:** The projected capital funding is less than budget as the budget assumes a 3% annual adjustment, and the actual Engineering News Record Construction Cost Index (ENRCCI) adjustment from June 2023 to June 2024 was 0.001%.

Expenses

- 5. Labor costs:** YTD labor includes payroll through March 31, 2025. The year-end projection is based on trends.
- 6. Capital Projects:** The year-end projection is less than budget because of multi-year projects currently in the planning/construction phases or nearing completion/close-out. These projects will continue into FY 2025-26.
 - Stoneridge PFAS Treatment Facility – switching to PWRPA power (~\$2.2M)
 - Mocho Wellfield PFAS Treatment Facility and Well & MGD Electrical Upgrades/Replacement (~ \$3.7M)
 - Chain of Lakes PFAS Treatment Facility (~\$3M)
 - Chain of Lakes Conveyance System (~\$500K)
 - Patterson Pass Improvements and Replacements (~\$2.3M)
 - DVWTP Booster Pump Station VFDs and Sludge Bed Underdrain Pump Station Replacement (~\$1.5M)

Reserves

The table below compares the FY 2024-25 Amended Budget ending reserve balances to the Q3 projected ending reserve balances.

| Fund 120 Reserves | FY 24-25 Amended Budget FYE | FY 24-25 Q3 Projected FYE |
|--|--|--------------------------------------|
| Debt Service Rate Stabilization Reserve | \$6,300,000 | \$6,300,000 |
| Pension Trust | 57,000 | 50,000 |
| Designated for Capital Projects Reserve ¹ | 52,843,000 | 58,239,000 |
| Total Reserve | \$59,200,000 | \$64,589,000 |

¹Reserve is designated for capital projects to fund the Fund 120 CIP projects the Agency has committed to over the next five years. The Zone 7 Board adopted the Five-Year Water System CIP on June 21, 2023 (Resolution No. 17-81).

The following table summarizes the Agency's major projects in progress. For more information on capital projects, see the Capital Projects Status Report in the May 21, 2025, Board meeting agenda packet.

| Project | Total Estimated Cost | Fund 120 Share | Fund 120 Cash Financed | Fund 120 Bond Financing | Status | In-Service |
|--|----------------------|----------------|------------------------|-------------------------|--------------------------------------|------------------------------|
| Asset Management Program and Ten-Year CIP Update | \$1.16M | \$902K | \$902K | \$- | Planning | Late Fall 2025 |
| Pipeline Inspection Study | \$250K | \$250K | \$250K | \$- | In-process | Fall 2025 |
| MGDP Concentrate Conditioning | \$7.8M | \$7.8M | \$7.8M | \$- | Functional completion May 2025 | Spring 2025 |
| Chain of Lakes PFAS Treatment Facility Project | \$24.4M | \$24.4M | \$2.4M | \$22M | Functional completion May 2025 | Spring 2025 |
| Stoneridge Well PFAS Project | \$16.3M | \$16.3M | \$16.3M | \$- | Functional completion September 2023 | Winter 2025 (PWRPA Switch) |
| Wells & MGDP Electrical Upgrades/ Replacement Project | \$7.3M | \$7.3M | \$7.3M | \$- | Functional completion Feb 2025 | Oct 2025 – Feb 2026 (Switch) |
| Electric Vehicle Chargers | \$651K | \$651K | \$651K | \$- | Pre-construction | Fall 2025 |
| DVWTP Booster Pump Station VFD and Underdrain Pump Station Replacement | \$1.91M | 1.91M | \$1.91M | \$- | Construction | Spring 2026 |
| Mocho PFAS Treatment Plant* | \$35.5M | \$35.5M | TBD | TBD | Planning / Design | Spring 2028 |
| Risk and Resilience Assessment and Emergency Response Plan | \$200K | \$200K | \$200K | \$- | On-going | Fall 2025 |
| Joint Regional Groundwater Development Project | \$2.7M | \$1.35M | \$1.35M | \$- | In-process | Fall 2025 |
| Total | \$98.2M | \$96.6M | \$39.1M | \$22.0M | | |

* The total project cost for the Mocho PFAS Treatment Plant is estimated to range between \$35.5M and \$52M and is anticipated to be partially funded by external funding sources.

RESTRICTED FUNDS ANALYSIS

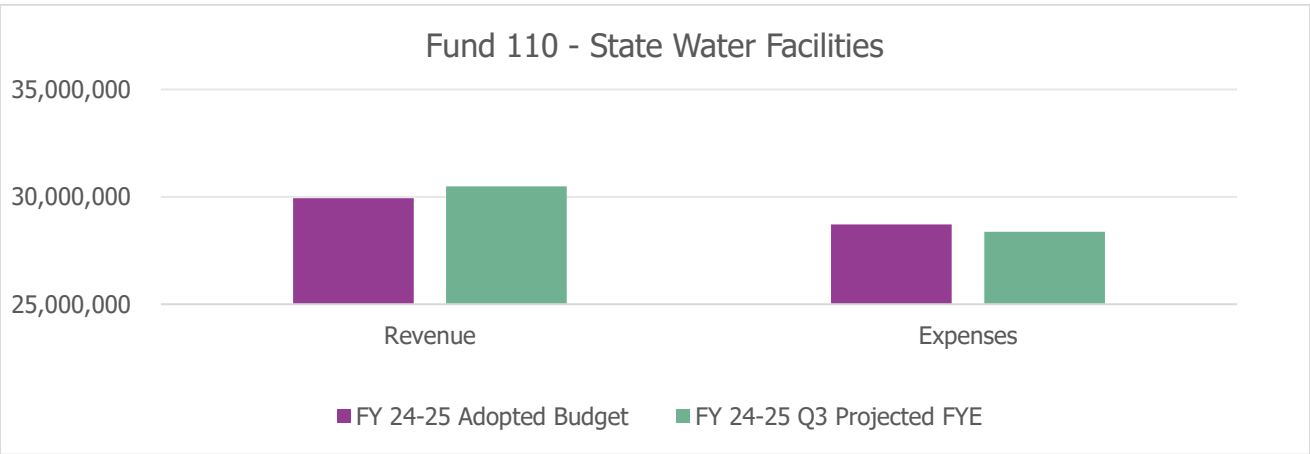
Restricted Fund Balance: Includes the portion of the fund balance that can only be spent for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers. The restricted fund balance also includes a legally enforceable requirement that the resources can only be used for specific purposes enumerated in the law. The restricted funds are not available to serve as operating or emergency reserves. These primarily include property taxes, connection and developer fees received for capital projects, debt service requirements, and fees charged for the provision of future water resources.

Fund 110 – State Water Facilities Fund

Primary Funding Source: Property Taxes. The property tax override is exempt from the ad valorem property tax levy limitations of Article XIII A of the Constitution of the State of California as the indebtedness was approved prior to July 1, 1978.

Fund 110 funds the fixed cost payment to DWR to import water to the Agency which includes repayment of voter-approved, State-incurred, long-term debt.

The following graph shows the FY 2024-25 Adopted Budget and Q3 projected FYE revenue and expenditures.



When expenses exceed revenue, operating reserves (working capital) are being expended.

Details of Revenue and Expenses for Fund 110

| Fund 110 - State Water Facilities | FY 24-25 Adopted Budget | FY 24-25 Q3 YTD Actual | FY 24-25 Q3 Projected FYE | Year-End Over / (Under) Budget |
|-----------------------------------|-------------------------|------------------------|---------------------------|--------------------------------|
| Audited Beg. Fund Balance | \$51,731,000 | \$52,340,307 | \$52,340,000 | \$609,000 |
| Revenue | | | | |
| Dougherty Valley Surcharge | 2,773,000 | - | 2,773,000 | - |
| Property Taxes ¹ | 22,201,000 | 13,418,191 | 22,201,000 | - |
| DWR Refunds | 3,675,000 | 3,216,296 | 4,200,000 | 525,000 |
| Investment Earnings ² | 1,292,000 | 1,179,129 | 1,450,000 | 158,000 |
| Total Revenue | \$29,941,000 | \$17,813,616 | \$30,624,000 | \$683,000 |
| Expenses³ | \$28,712,000 | \$26,586,390 | \$28,371,000 | (\$341,000) |
| Estimated Revenue over Expenses | 1,229,000 | (8,772,774) | 2,253,000 | 1,024,000 |
| Ending Fund Balance | \$52,960,000 | \$43,567,533 | \$54,593,000 | \$1,633,000 |

Note: Projection values are rounded to the thousands.

Revenue

This is a pass-through fund for fixed charges associated with the SWP, assessed as a property tax override.

- 1. Property Taxes:** YTD revenue includes the first installment of property tax. The second installment is due in April and will be reflected in the fourth quarter report. The year-end revenue projection reflects budget.
- 2. Investment Earnings:** Projected investment earnings exceed budget and reflect current favorable market conditions.

Expenses

- 3. Expenditures:** Include DWR fixed charges that occur both monthly and semi-annually. Transportation capital charges and the improvement portion of the SBA Improvement and Enlargement Project debt service payments are paid in January/July and March/September, respectively. The year-end projected expenses reflect anticipated payments through June 2025 based on the 2025 Statement of Charges.

Reserves

The following table compares the FY 2024-25 Adopted Budget ending reserve balance to the Q3 projected ending reserve balance. In December 2024, the Board formally adopted the amended Reserve Policy, via Resolution No. 24-106, removing the maximum level from the State Water Facilities Reserve. The reserve will accumulate funds to offset future volatile increases in State Water Project capital costs.

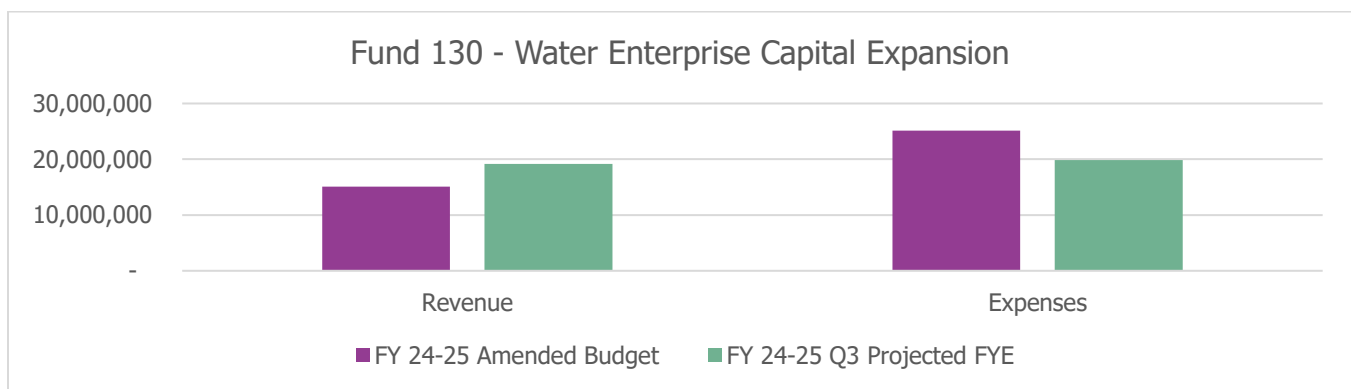
| Fund 110 Reserves | FY 24-25 Adopted Budget FYE | FY 24-25 Q3 Projected FYE |
|-------------------|-----------------------------|---------------------------|
| Operating Reserve | \$52,960,000 | \$54,593,000 |
| Total Reserve | \$52,960,000 | \$54,593,000 |

Fund 130 – Water Enterprise Capital Expansion

Primary Funding Source: Water Connection Fees.

The purpose of this fund is to ensure the Agency can meet the future needs of new customers with development paying its own way. The program is primarily intended to provide funding for new or expanded facilities and additional water supplies to serve additional capacity requirements of development. Most expenses in this fund are fixed (i.e., bond payment obligations for debt incurred by others to increase capacity, such as the enlargement portion of the South Bay Aqueduct Improvement and Enlargement Project). Developer fees can only be used for projects related to water system expansion.

The following graph shows the FY 2024-25 Amended Budget and Q3 projected FYE revenue and expenditures.



Details of Revenue and Expenses for Fund 130

| Fund 130 - Water Enterprise Capital Expansion | FY 24-25 Amended Budget | FY 24-25 Q3 YTD Actual | FY 24-25 Q3 Projected FYE | Year-End Over/(Under) Budget |
|---|-------------------------|------------------------|---------------------------|------------------------------|
| Audited Beg. Fund Balance | \$69,651,000 | \$68,034,191 | \$68,034,000 | (\$1,617,000) |
| Revenue | | | | |
| Connection Fees ¹ | 10,000,000 | 10,275,313 | 13,700,000 | 3,700,000 |
| Investment Earnings ² | 1,669,000 | 1,641,611 | 1,900,000 | 231,000 |
| DWR Refunds | 3,000,000 | 1,628,480 | 3,000,000 | - |
| Other Revenue ³ | 450,000 | 318,001 | 573,000 | 123,000 |
| Total Revenue | \$15,119,000 | \$13,863,405 | \$19,173,000 | \$4,054,000 |
| Expenses | | | | |
| Labor ⁴ | 379,000 | 172,997 | 231,000 | (148,000) |
| Water ⁵ | 16,790,000 | 15,844,406 | 16,594,000 | (196,000) |
| Capital Projects ⁶ | 6,850,000 | 1,336,800 | 1,925,000 | (4,925,000) |
| Debt Service | 1,092,000 | 789,152 | 1,092,000 | - |
| Total Expenses | \$25,111,000 | \$18,143,355 | \$19,842,000 | (\$5,269,000) |
| Estimated Revenue over Expenses | (9,992,000) | (4,279,950) | (669,000) | 9,323,000 |
| Estimated Carryovers | | | (757,000) | (757,000) |
| Ending Fund Balance | \$59,659,000 | \$63,754,241 | \$66,608,000 | \$6,949,000 |

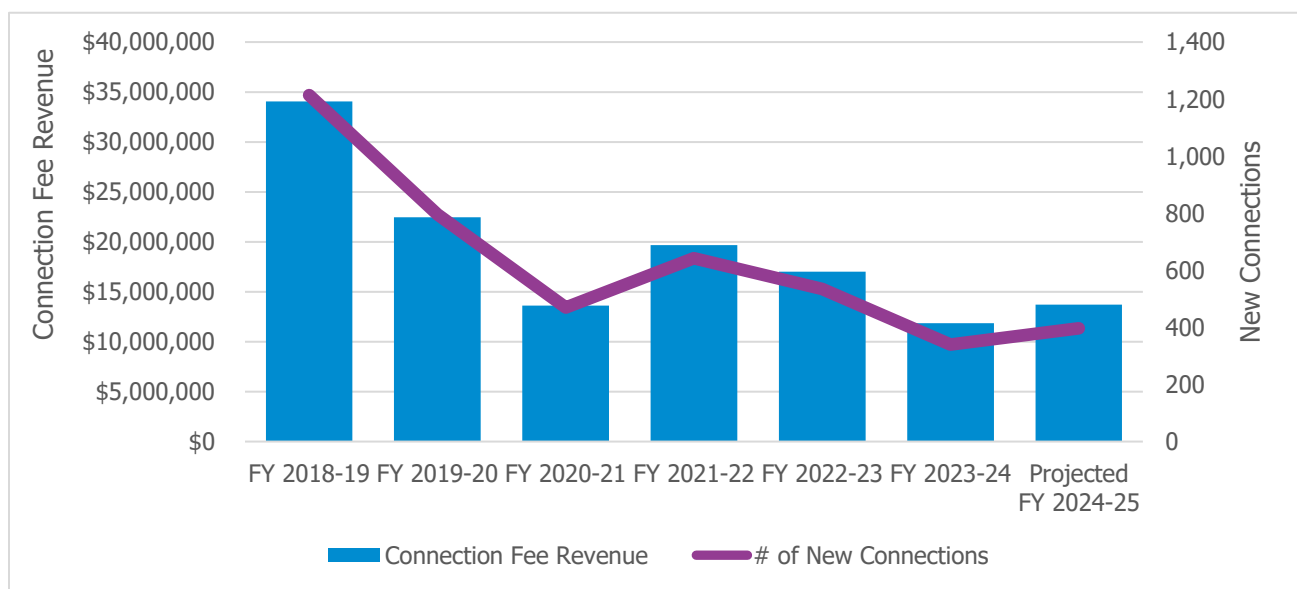
Note: Values are rounded to the thousands.

Revenue

The primary source of revenue is connection fees.

- 1. Connection Fees:** YTD revenue is comprised of connection fees from approximately 298 connections primarily from the Dublin San Ramon Services District service area and the City of Livermore. At the October 16, 2024, Board Meeting, the Board approved the normal inflationary adjustment to the CY 2025 water connection fees. The adjusted fees went into effect January 1, 2025. The year-end projection plans for more connection fees from the City of Livermore due to the on-going development along North Canyons Parkway.

Connection fee revenue has continued to decline since 2019. The on-going connection fee study will inform staff of future development in the service area. The following graph illustrates the declining trend from FY 2018-19.



| | FY 2018-19 | FY 2019-20 | FY 2020-21 | FY 2021-22 | FY 2022-23 | FY 2023-24 | Projected FY 2024-25 |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------------|
| Connection Fee Revenue | \$34,068,092 | \$22,461,926 | \$13,609,527 | \$19,669,510 | \$17,023,627 | \$11,860,411 | \$13,700,000 |
| # of New Connections | 1,214 | 796 | 470 | 643 | 535 | 340 | 397 |

- 2. Investment Earnings:** Projected investment earnings exceed budget and reflect current favorable market conditions.
- 3. Other Revenue:** Includes a one-time reimbursement from the Los Vaqueros Reservoir Expansion project (\$1.59M). Fund 100 received 80% (~\$1.27M) of the reimbursement. The remaining 20% (~\$318K) was allocated to Fund 130. Other revenue also includes part of the City of Pleasanton's 50% cost share of the Regional Groundwater Project. The project is underway and will continue into FY 2025-26.

Expenses

- 4. Labor:** Includes this fund's share of payroll through March 31, 2025, for capital expansion projects. The projected year-end amount is based on trends.
- 5. Water:** YTD expenses are made up of the first installment of the South Bay Aqueduct debt service payment, due annually in September. The projected year-end reflects the first and second installment payments.
- 6. Capital Projects:** The year-end projection includes the FY 2024-25 Sites Reservoir participation payment, continued work on the Regional Groundwater project and connection fee study, and progress on the 10-year capital improvement plan update.

Reserves

The table below compares the FY 2024-25 Amended Budget ending reserve balances to the Q3 projected ending reserve balances.

| Fund 130 Reserves | FY 24-25 Amended Budget FYE | FY 24-25 Q3 Projected FYE |
|--|------------------------------------|----------------------------------|
| Sinking Funds ¹ | \$29,170,000 | \$29,170,000 |
| Debt Service Rate Stabilization Reserve | 2,300,000 | 2,300,000 |
| Designated for Capital Projects Reserve ² | 28,170,000 | 35,123,000 |
| Pension Trust Fund | 19,000 | 15,000 |
| Total Reserves | \$59,659,000 | \$66,608,000 |

¹Reserve established by the Board to fund SBA debt service payments that continue after service is built out.

²Reserve designated for capital projects to fund expansion CIP projects the Agency has committed to over the next ten years.

Below is a summary of the Agency's major projects in progress or recently completed.

| Project | Total Cost | Fund 130 Share | Status | In-Service/Completion |
|--|-------------------|-----------------------|---------------|------------------------------|
| Asset Management Program and Ten-Year CIP Update | \$1.15M | \$250K | In-process | Fall 2025 |
| Non-discretionary obligations | ~\$20M annually | ~\$20M | n/a | ongoing |
| Joint Regional Groundwater Development Project | \$2.7M | \$1.35M | In-process | Fall 2025 |

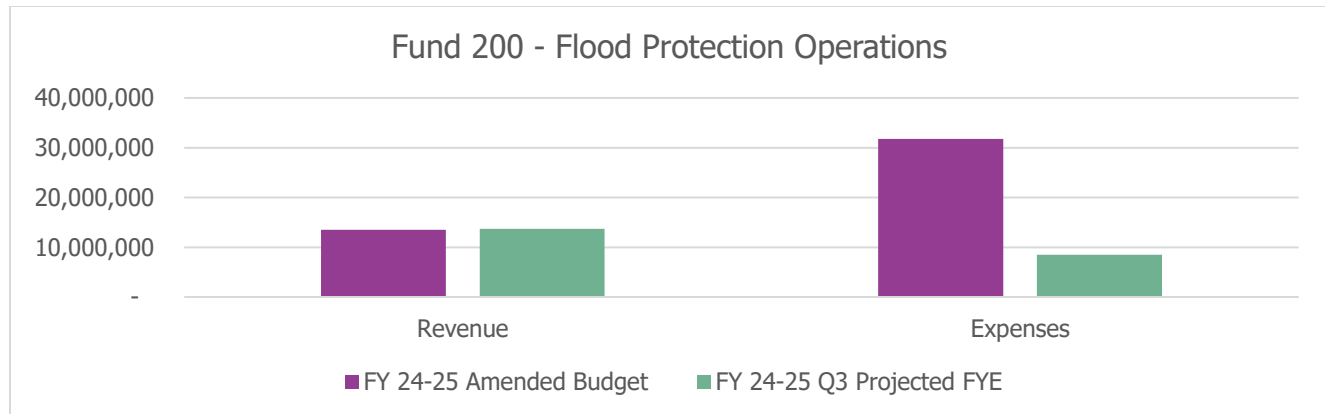
Fund 200 – Flood Protection Operations

Primary Funding Source: Property Taxes. Ad valorem property taxes equal to one percent (1%) of the full cash value, of which Zone 7 of the Alameda County Flood and Water Conservation District receives a proportionate share.

This fund uses property taxes to provide general administration, maintenance, and operation of regional flood protection facilities. The Agency manages a watershed of 425 square miles in eastern Alameda County, receiving drainage from parts of Contra Costa, Santa Clara, and San Joaquin Counties. More than 37 miles of flood control channels and regional drainage facilities are owned and maintained by the Agency. This fund finances a comprehensive year-round

maintenance program that includes repairing slides and erosion, refurbishing access roads and associated drainage ditches, installing and repairing gates and fences, and maintaining landscaped areas. This fund pays for renewal/replacement and improvement projects for the existing flood protection system.

The following graph shows FY 2024-25 Amended Budget and Q3 projected FYE revenue and expenditures.



Details of Revenue and Expenses for Fund 200

| Fund 200 - Flood Protection Operations | FY 24-25 Amended Budget | FY 24-25 Q3 YTD Actual | FY 24-25 Q3 Projected FYE | Year-End Over/(Under) Budget |
|--|-------------------------|------------------------|---------------------------|------------------------------|
| Audited Beg. Fund Balance | \$27,790,000 | \$27,800,556 | \$27,801,000 | \$11,000 |
| Revenue | | | | |
| Property Taxes ¹ | 12,573,000 | 8,040,462 | 12,171,000 | (402,000) |
| Investment Earnings ² | 595,000 | 643,250 | 1,000,000 | 405,000 |
| Grants ³ | 94,000 | 64,130 | 65,000 | (29,000) |
| Other Revenue | 236,000 | 451,668 | 452,000 | 216,000 |
| Total Revenue | \$13,498,000 | 9,199,510 | \$13,688,000 | \$190,000 |
| Expenses | | | | |
| Labor ⁴ | 3,133,000 | 2,033,266 | 2,711,000 | (422,000) |
| Professional Services ⁵ | 6,319,000 | 1,812,968 | 2,106,000 | (4,213,000) |
| Repairs and Maintenance ⁶ | 21,277,000 | 1,581,562 | 2,500,000 | (18,777,000) |
| Other Services/Supplies | 1,041,000 | 456,150 | 608,000 | (433,000) |
| Total Expenses | \$31,770,000 | \$5,883,946 | \$7,925,000 | (\$23,845,000) |
| Estimated Revenue over Expenses | (18,272,000) | 3,315,564 | 5,763,000 | 24,035,000 |
| Estimated Carryovers | | | (14,569,000) | (14,569,000) |
| Ending Fund Balance | \$9,518,000 | \$31,116,120 | \$18,995,000 | \$9,477,000 |

Note: Values are rounded to the thousands.

Revenue

The primary source of revenue for this fund is property taxes.

- 1. Property Tax:** The YTD revenue is comprised of the first installment of property tax as well as revenue received to-date through unsecured property taxes. The year-end revenue projection is based on the property tax estimate provided by the County.
- 2. Investment Earnings:** Projected investment earnings exceed budget and reflect current favorable market conditions.
- 3. Grants:** The YTD actual reflects a \$43K federal grant received from Cal OES for prior expenses incurred from the high-priority maintenance work from the 2023 storms and a \$21K State grant for prior expenses incurred on the Arroyo Mocho Floodplain and Riparian Forest Restoration Project. The year-end projection conservatively reflects the YTD actual as grant reimbursement timing is challenging to predict.

Expenses

- 4. Labor:** Includes this fund's share of payroll through March 31, 2025. The year-end projection is based on trends.
- 5. Professional Services:** Includes professional services for Flood operations and ongoing services related to the Flood Management Plan. The year-end projection reflects ongoing design and permitting efforts for the Phase 1 and high priority flood sites and on-going efforts for the Flood Management Plan. These efforts will continue into FY 2025-26.
- 6. Repairs and Maintenance:** The Amended Budget includes ongoing routine flood engineering repair services and repairs related to the Phase 1, USACE sites, and high priority projects resulting from damage caused by the 2023 storms. The year-end projection is less than the budget as the projects that will address storm damage are currently anticipated for construction this summer pending approval of environmental permits.

Reserves

The table below compares the FY 2024-25 Amended Budget ending reserve balance to the Q3 projected ending reserve balance.

| Fund 200 Reserves | FY 24-25 Amended Budget | FY 24-25 Q3 Projected FYE |
|--|------------------------------------|--------------------------------------|
| Operating Reserves ¹ | \$9,312,000 | \$11,854,000 |
| Designated for Capital Projects Reserve ² | - | 6,933,000 |
| Section 115 Pension Trust | 206,000 | 208,000 |
| Total Reserves | \$9,518,000 | \$18,995,000 |

¹ This fund may be routinely utilized by staff to cover temporary cash flow deficiencies caused by timing differences between revenue and expenses and/or shifts in the allocation of property taxes to Zone 7. For example, the 2023 Storm Damage Repair project expenses will be incurred in advance of grant reimbursement.

² Per the Agency's Reserve Policy, there is no minimum or maximum level required for the Flood capital projects reserve.

The Agency is in the process of developing and implementing a Flood Management Plan to direct the Agency's future flood maintenance activities and capital projects. Flood Management Plan Phase 2A professional and project management services were approved at the February 15, 2023 Board meeting.

The following table lists major repairs/projects that are in progress or recently completed.

| Project | Total Cost | Fund 200 Share | Status | Approx. Completion |
|---|------------|----------------|-------------------|--------------------|
| Alamo Creek Bank Stabilization Pilot Project ¹ | \$6.1M | \$6.1M | Permitting | Winter 2025 |
| 2022-23 Storm Damage High Priority Repairs | \$4.47M | \$4.47M | Permitting | 2026 |
| 2023 Storm Damage Repairs – Phase 1 | \$28.7M | \$28.7M | Design/Permitting | 2027 |
| 2023 Storm Damage Sites by USACE | \$27M | \$6.15M | Permitting | 2026 |

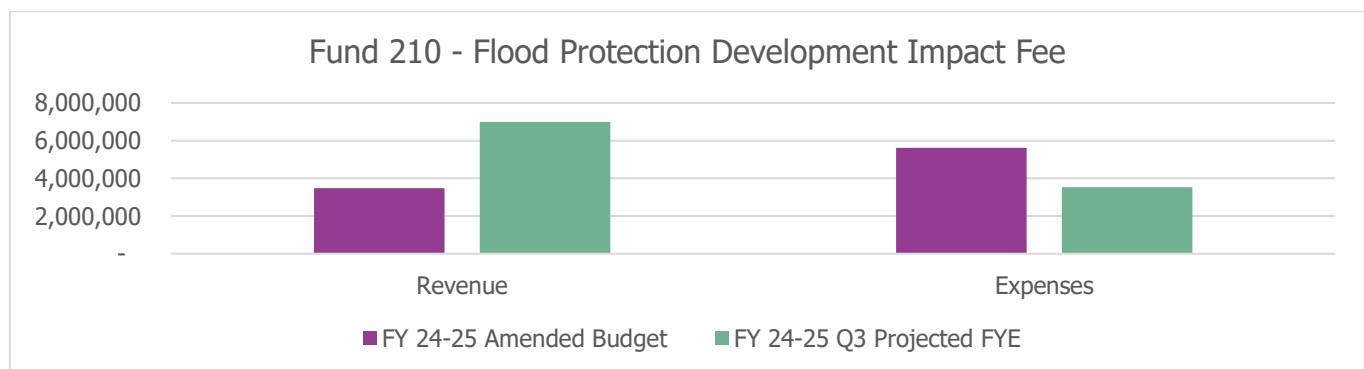
¹DWR awarded the Agency up to \$4.6M in grants through the Floodplain Management, Protection, and Risk Awareness (FMPRA) Grant program. Proceeds of this grant are not reflected in the projected ending fund balance.

Fund 210 – Flood Protection Development Impact Fee Fund

Primary Funding Source: Development Impact Fees.

The purpose of this fund is to ensure the Agency can meet future needs for expansion-related flood control facilities. The program is primarily intended to provide funding for any flood control facilities required for new development. Funds are expended on the planning, design, lands and right of way acquisition, environmental review, permitting, and construction for drainage projects.

The following graph shows the FY 2024-25 Amended Budget and Q3 projected fiscal year-end revenue and expenditures.



Details of Revenue and Expenses for Fund 210

| Fund 210 - Flood Protection DIF Fund | FY 24-25 Amended Budget | FY 24-25 Q3 YTD Actual | FY 24-25 Q3 Projected FYE | Year-End Over/(Under) Budget |
|--------------------------------------|-------------------------|------------------------|---------------------------|------------------------------|
| Audited Beg. Fund Balance | \$78,092,000 | \$79,773,869 | \$79,774,000 | \$1,682,000 |
| | | | | |
| Revenue | | | | |
| Development Fees ¹ | 1,500,000 | 2,829,706 | 3,750,000 | 2,250,000 |
| Investment Earnings ² | 1,952,000 | 1,753,431 | 3,000,000 | 1,048,000 |
| Other Revenue | 25,000 | 249,605 | 250,000 | 225,000 |
| Total Revenue | \$3,477,000 | \$4,832,741 | \$7,000,000 | \$3,523,000 |
| | | | | |
| Expenses | | | | |
| Labor ³ | 147,000 | 21,897 | 29,000 | (118,000) |
| Capital Projects ⁴ | 5,470,000 | 100,688 | 3,508,000 | (1,962,000) |
| Total Expenses | \$5,617,000 | \$122,586 | 3,537,000 | (\$2,080,000) |
| Revenue over Expenses | (2,140,000) | 4,710,156 | 3,463,000 | 5,603,000 |
| Estimated Carryovers | | | (902,000) | (902,000) |
| Estimated Ending Fund Balance | \$75,952,000 | \$84,484,024 | \$82,335,000 | \$6,383,000 |

Note: Values are rounded to the thousands.

Revenue

- 1. Development Impact Fees:** Includes fees collected from a development project within Zone 7's service area equal to the number of square feet of impervious surface created, meaning, any surface or parcel that reduces the rate of natural infiltration of storm water into the soil. The fee is \$1.00 per square foot. The year-end projection is based on trends.
- 2. Investment Earnings:** Projected investment earnings exceed budget and reflect current favorable market conditions.

Expenses

- 3. Labor:** Includes staff labor through March 31, 2025. The year-end projection is based on trends.
- 4. Capital Projects:** The year-end projection includes as-needed professional services, professional services related to the ongoing Flood Management Plan effort, and the Board approved \$3.03M reimbursement to Dublin Crossing, LLC for construction and easements required for the Camp Park Detention Basin (Resolution No. 24-89).

Reserves

The following table and chart compare the FY 2024-25 Amended Budget ending reserve balance to the Q3 projected ending reserve balance.

| Fund 210 Reserves | FY 24-25 Amended Budget FYE | FY 24-25 Q3 Projected FYE |
|--------------------------|--|--------------------------------------|
| Capital Projects Reserve | \$75,952,000 | \$82,335,000 |
| Total Reserves | \$75,952,000 | \$82,335,000 |

The Agency is in the process of developing and implementing a Flood Management Plan to direct the Agency's future flood maintenance activities and capital projects. Flood Management Plan Phase 2A professional and project management services were approved at the Board meeting on February 15, 2023.

DATE: May 28, 2025

TO: Finance Committee

FROM: Osborn Solitei, Treasurer/Assistant General Manager - Finance

SUBJECT: Proposed Investment Policy

SUMMARY:

- The Agency's Investment Policy ("Policy") sets forth guidelines that ensure the Agency's funds are invested in compliance with State Law and in a prudent manner. The proposed action is in support of Strategic Plan Goal H – Fiscal Responsibility: Operate the Agency in a fiscally responsible manner and Strategic Plan Initiative No. 21 – Continue to effectively manage financial resources for the Agency. In carrying out these fiscal responsibilities and continuing best practice and maintaining sound financial management policies, staff continues to submit the annual investment policy to the Board.
- The Policy is reviewed on an annual basis by the Finance Committee and approved by the Board. The last recommended change to the Policy was approved by Board Resolution No. 24-45, dated June 11, 2024.
- The California Debt and Investment Advisory Commission annually revises its Local Agency Investment Guidelines to include statutory changes that affect local government investments. At this time there have not been any applicable changes to the California Code since the last review. The only minor modifications to the Policy regarding rebrand to the rating service Standard and Poor's to now read S&P Global.

FUNDING:

N/A

RECOMMENDATION:

Staff recommends the Finance Committee discuss and forward the proposed Investment Policy to the full Board for adoption at the next Board meeting.

ATTACHMENT:

Attachment A – Proposed Investment Policy

POLICY AND PROCEDURE

| | | |
|--|----------------------------------|--|
| POLICY TITLE: Investment Policy | NUMBER: 2021-03 | PAGE: 1 of 28 |
| APPROVED BY: Zone 7 Board | REVISION: | EFFECTIVE DATE: July 1, 20242025 |

This policy is intended to provide guidelines for the prudent investment of surplus cash, reserves, trust funds and restricted monies and to outline a policy for maximizing the efficiency of the Agency's cash management system.

1.0 POLICY

It is the policy of the Board of Directors of the Zone 7 Water Agency ("Agency") to invest public funds in a manner which conforms to the four fundamental criteria in order of importance, as listed:

- Safety of Principal
- Liquidity
- Return on Investment, or Yield
- Diversity

2.0 INVESTMENT AUTHORITY

In accordance with Section 53600, *et. seq.*, of the Government Code of the State of California, the authority to invest Agency public funds has been delegated to the Agency Treasurer/Assistant General Manager – Finance.

3.0 DELEGATION OF AUTHORITY

Responsibility for the investment program is specifically delegated by the Board to the Board-appointed Treasurer or, if no such appointment has been made, to the General Manager, hereafter referred to as Treasurer who will establish procedures for the investment program, consistent with this Investment Policy. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities, including procedures to execute investment transactions in the absence of the Treasurer. All participants in the investment process shall seek to act responsibly as custodians of the public trust. No officer or designee may engage in an investment transaction except as provided under the terms of this policy and supporting procedures.

The Agency may engage the services of one or more external investment managers to assist in the management of the Agency's investment portfolio in a manner consistent with the

Agency's objectives. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Such managers must be registered under the Investment Advisers Act of 1940.

4.0 STATEMENT OF OBJECTIVES

Per Section 53600.5 of the California Government Code, the primary objective of the Treasurer shall be to safeguard the principal of the funds under his or her control when investing public funds. The secondary objective will be to maintain liquidity as required by the Agency and the third objective is to obtain a return on investment of these funds.

In order of priority, the four fundamental criteria shall be followed in the investment of funds:

- 4.1 Safety of Principal** – Investments shall be undertaken in a manner which first seeks to ensure the preservation of principal in the portfolio. Each investment transaction shall be entered only after taking into consideration the quality of the issuer, the underlying security or collateral, and diversification of the portfolio. Cash flow analysis will be conducted and utilized to avoid the need to sell securities prior to maturity. The Agency shall seek to preserve principal by mitigating both credit and market risk.
- 4.2 Liquidity** – Every effort shall be made to ensure that the Agency's portfolio is sufficiently liquid to meet current and anticipated operating requirements. Cash flow analysis should be performed on an ongoing basis. Investments shall be made to ensure maturities are compatible with anticipated cash flow requirements.
- 4.3 Return on Investment, or Yield** – Investments shall be undertaken to produce an investment return consistent with the primary objectives of Safety of Principal and Liquidity, and the Prudent Investor Standard.
- 4.4 Diversity** – The objective is to avoid over concentration or exposure to any one issuer, instrument or maturity sector as specified in the Summary Table of Investment Guidelines and Eligible Securities herein, so that no single investment or class of investments can have a disproportionate impact on the total portfolio. This restriction does not apply to U.S. Treasury securities.

The investment portfolio shall be diversified and designed to attain a market average rate of return, considering cash flow requirements. The Treasurer shall have an overall investment objective of holding investments to maturity and not investing with the objective of trading for speculative purposes. However, the Treasurer may swap or sell securities in order to:

- i) raise cash to meet unanticipated cash-flow requirements

- ii) swap old securities for current coupon securities
- iii) Maintain portfolio allocation limits
- iv) maintain a duration target
- v) Improve the quality, liquidity, or return of the portfolio
- vi) avoid further erosion and loss of investment principal due to deterioration in creditworthiness, as well as to respond to rapidly changing interest rate environments

5. CONCENTRATION OF RISK

Governmental Accounting Standards Board (GASB) statement No. 40 – *Deposits and Investment Risk Disclosures – An Amendment of GASB No. 3*. It recognizes that there are many factors that can affect the value of investments. Investment risk factors include credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

Credit risk is the risk of loss due to failure of an issuer of a security or a financial institution. The Agency purchases U.S. Treasuries and high-grade securities which will lessen this type of risk. In addition, the portfolio will be diversified so that the failure of any one issuer will not unduly harm the Agency's cash flow.

Custodial credit risk is the risk that in the event of the failure of the custodian, the investments may not be returned. The Agency's investment securities are to be held by a third-party custodian designated by the Agency and evidenced by safekeeping receipts.

Concentration of credit risk is the risk associated with a lack of diversification of having too much invested in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments. The Agency's investments will be diversified and will not exceed maximum percentages allowed in the California Government Code.

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to an increase in general interest rates. Interest rate risk may be reduced by structuring the portfolio so that securities are maturing periodically to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The Agency will limit investments to a maximum maturity of five years (unless otherwise authorized by Agency Board).

Foreign currency risk results from investment in foreign currency-denominated securities. The Agency will not invest in foreign currency (i.e., non-US dollar) dominated instruments.

6.0 SCOPE

The Investment Policy applies to all funds of the Agency including Water Enterprise Operations Funds, Renewal/Replacement & System-Wide Improvement Fund, State Water Facilities Fund, Water Enterprise Capital Expansion Fund, Flood Control Operations Fund, Flood Protection Development Impact Fee Fund, Water Facilities Fund, Water Supply and Reliability Fund, Vehicle/Equipment Replacement Reserve Fund, Endowments, and all other funds held by the Agency. This investment policy does not apply to proceeds of notes, bonds or similar external financings which would be invested pursuant to bond indentures or State of California Government Code Section 53600, *et. seq.*, as applicable.

7.0 PRUDENT INVESTOR STANDARD

All investments and evaluation of such investments shall be made with the Prudent Investor Standard as set forth in the California Government Code, Sections 53600.3 and 27000.3, which is defined as a standard of conduct whereby any person authorized to make investment decisions on behalf of the Agency acts with care, skill, prudence and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of the Agency with the aim to safeguard principal and meet the liquidity needs of the Agency.

8.0 PORTFOLIO ADJUSTMENTS

Portfolio percentage limitations and credit rating requirements for each category of investment are applicable only at the date of purchase. Should an investment percentage be exceeded due to instances such as the fluctuation in overall portfolio size, or market valuation changes, the Treasurer is not required to sell the affected securities.

Should a security held in the portfolio be downgraded below the minimum rating criteria specified in this Investment Policy, the Treasurer or investment advisor, if one is utilized, shall perform a credit analysis of such security to determine whether to hold or sell the security. The Treasurer may elect to sell the security immediately to minimize losses in the event that an orderly disposition with minimal losses cannot be achieved. If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio will be monitored.

The Treasurer shall note in a quarterly report securities which have been downgraded below investment grade and the status of disposition.

9.0 SAFEKEEPING AND CUSTODY

All securities transactions entered into by the Agency shall be conducted on a delivery-versus-payment (DVP) basis pursuant to a custodial safekeeping agreement. All securities owned by the Agency shall be held in safekeeping by an independent custodian designated by the

Treasurer. Financial institutions providing safekeeping services shall provide reports or receipts which verify securities held in safekeeping.

10.0 REPORTING AND DISCLOSURE

The Treasurer shall submit a quarterly report within 45 days following the end of the quarter covered by the report to the Agency Board of Directors pursuant to California Government Code Section 53646 (b)(1). The report shall at a minimum provide information on compliance to this policy and on the composition of the portfolio for each fund with:

- Types of investment
- Issuer
- Maturity dates
- Par and dollar amount
- Market values including source of the valuation
- Rates of Interest
- Expected yields to maturity

In addition, the quarterly report shall also include a statement denoting the ability to meet the Agency's expenditure requirements for the next six (6) months.

11.0 COLLATERALIZATION

Collateral is required for investments in certificates of time deposit and agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 110% of market value for certificate of time deposit and for repurchase agreements it will be at least 102% of market value of principal and accrued interest.

12.0 INVESTMENT GUIDELINES AND ELIGIBLE SECURITIES

Section 53600, *et seq.*, of the Government Code of the State of California prescribes the statutory requirement relating to investments by local treasurers, providing guidance on:

- i. Allowable Investments
- ii. Portfolio diversification requirements including proportional limits on investment types, maximum maturity, and minimum credit rating criteria.

The maximum maturity of any investment in the portfolios shall not exceed five (5) years except when specifically authorized by the Agency Board of Directors through resolution. When practical, the Treasurer shall solicit more than one quotation on each trade for the purpose of awarding investment trades on a competitive basis. The Agency will conform to the legal provisions set forth in the Government Code with further and more specific requirements about allowable investments and restrictions as detailed below:

12.1 US Treasury Bonds, Bills and Notes

Bills, notes, and bonds issued by the U.S. Treasury which are direct obligations of the federal government.

- Maximum limit: Not Applicable (N.A.)
- Maximum maturity: Five (5) years
- Credit Requirement: N.A.

12.2 Federal Agency Bonds and Notes

Notes, bonds, or other instruments of federal agencies, or United States government-sponsored enterprises (GSEs). Not all are direct obligations of the U. S. Treasury but may involve federal sponsorship and/or guarantees, in some instances.

- Maximum limit: N.A.
- Maximum maturity: Five (5) years
- Credit Requirement: N.A.

12.3 Banker's Acceptances

Bills of exchange or time drafts drawn on and accepted by a commercial bank, typically created from a letter of credit issued in a foreign trade transaction.

- Maximum limit: forty percent (40%) of the portfolio
- Maximum maturity: One-hundred eighty (180) days
- Issued by banks with total deposits of over one billion dollars (\$1,000,000,000)
- Twenty-five percent (25%) limitation to any one issuer
- Credit requirement: Ratings of A1, P1 or F1 or better by two Nationally Recognized Statistical Rating Organizations (NRSRO). No rating may be lower than any of the rating listed above.
- Issued by banks from offices in the USA.

12.4 Commercial Paper

Commercial paper is defined as short-term, unsecured promissory notes issued by financial and non-financial companies to raise short-term cash. Financial companies issue commercial paper to support their consumer and/or business lending; non-financial companies issue for operating funds.

- Maximum limit: Forty percent (40%) of the portfolio until January 1, 2026. After January 1, 2026, Twenty-five percent (25%) of the portfolio
- Maximum Maturity: Two hundred seventy (270) days

- Maximum Issuer Exposure: No more than five percent (5%) of the portfolio shall be invested in the commercial paper and the medium-term notes of any one issuer
- Credit requirement: Ratings of "A1" or higher, or the equivalent, by an NRSRO.
- Limited to paper issued by corporations organized and operating in the U.S. with total assets in excess of five hundred million (\$500,000,000) and rated in a rating category of "A" its equivalent or higher for the issuer's debt, other than commercial paper, if any, as provided by an NRSRO.

12.5 Medium Term Corporate Notes

Corporate and depository institution debt securities. Issuers are banks and bank holding companies, thrifts, finance companies, insurance companies and industrial corporations. These debt obligations that are generally unsecured.

- Maximum limit: Thirty percent (30%) of the portfolio
- Maximum maturity: Five (5) years
- Maximum Issuer Exposure: No more than five percent (5%) of the portfolio shall be invested in the commercial paper or medium-term notes of any single issuer
- Credit Requirement: "A" rating category, equivalent or better by an NRSRO.
- Eligibility: Limited to corporations organized and operating within the United States or depository institutions licensed by the United States or any State and operating within the United States.

12.6 Negotiable Certificates of Deposit

Issued by a nationally or state-chartered bank, a savings association, or a federal association, a state or federal credit union or by a federally licensed or state-licensed branch of a foreign bank.

- Maximum limit: Thirty percent (30%) of the portfolio
- Maximum Issuer Exposure: Five percent (5%) per issuer
- Maximum maturity: Five (5) years
- Credit Requirement: "A" rating category, equivalent or better long-term, or "A-1", equivalent or better short-term, by an NRSRO
- Issued by banks with total deposits of one billion dollars (\$1,000,000,000) or more

12.7 Certificates of Time Deposit

Time deposits, which are non-negotiable, are issued most commonly by commercial banks, savings and loans and credit unions with federal deposit insurance available for amounts up to two hundred-fifty thousand (\$250,000).

- Maximum limit: Thirty percent (30%) of the portfolio for all deposits

- Maximum maturity: Five (5) years
- On uncollateralized deposits, limited to FDIC insured amount of two hundred-fifty thousand (\$250,000)
- Amounts over FDIC insured amount must be fully collateralized
- Credit Requirement: For federally insured deposits of two hundred-fifty thousand (\$250,000) or less, no minimum credit rating required. For deposits over two hundred-fifty thousand (\$250,000): Ratings of rating category "A" or the equivalent or better by any two NRSRO

Pursuant to Government Code 53637, the Agency is prohibited from investing in certificate of deposits of a state or federal credit union if a member of the Agency's Board of Directors or decision-making authority serves on the board of directors or committee.

12.8 Money Market Mutual Funds

Regulated by the SEC, these funds operate under strict maturity and diversification guidelines. These funds have no federal guarantee but are viewed as a very safe short-term cash investment.

- Maximum limit: Twenty percent (20%) of the portfolio
- Maximum Maturity: N.A.
- Maximum Issuer Exposure: Ten percent (10%) of the portfolio
- Rating Requirement: Top ranking or highest letter and numerical rating provided by at least two NRSROs
- Daily liquidity
- Net Asset Value (NAV) requirement: one dollar (\$1.00)
- Funds must be invested in securities and obligations permitted under the California Government Code

12.9 State of California, Local Agency Investment Fund (LAIF)

LAIF is a pooled investment fund overseen by the State Treasurer, which operates like a money market fund, but is for the exclusive benefit of governmental entities within the state. The maximum investment amount currently authorized by Local Agency Investment Fund (LAIF) is seventy-five million (\$75 million), which is subject to change. The LAIF is in trust in the custody of the State of California Treasurer. The Agency's right to withdraw its deposited monies from LAIF is not contingent upon the State's failure to adopt a State Budget.

- Maximum limit: Current State limit
- Maximum Maturity: N.A.

12.10 Municipal Bonds and Notes

Municipal obligations issued by the State of California and any other of the states in the union. 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 50 states.

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

- Maximum limit: Forty percent (40%) of the portfolio
- Maximum maturity: Five (5) years
- Credit Requirement: "A" rating category, equivalent or better by an NRSRO

12.11 Repurchase Agreement

A repurchase agreement is a purchase of authorized securities with terms including a written agreement by the seller to repurchase the securities on a future date and price.

- Maximum limit: Twenty percent (20%) of the portfolio
- Maximum maturity: Three hundred sixty (360) days
- Master Repurchase Agreement must be on file
- Limited to primary dealers or financial institutions rated "A" or better by Moody's or equivalent.
- Fully collateralized at market value of at least one hundred two percent (102%) with US government or federal agency securities

12.12 California Asset Management Program (CAMP)

- Maximum limit: Ten percent (10%) of the portfolio
- Rated highest rating by an NRSRO

12.13 Supranational Obligations

United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.

- Maximum limit: Thirty percent (30%) of the portfolio
- Maximum maturity: Five (5) years
- Credit Requirement: "AA" rating category, equivalent or better by any NRSRO

12.14 Asset-backed Securities

A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond. For securities eligible for investment not issued or guaranteed by federal agencies and GSEs, the following limitations apply:

- Maximum limit: Twenty percent (20%) of the portfolio
- Maximum maturity: Five (5) years
- Credit Requirement: "AA" rating category, equivalent or better by an NRSRO

13.0 CREDIT RATING

Credit rating requirements for eligible securities referred to in this policy shall mean the numeric, alpha, and/or alpha-numeric designations assigned by a National Recognized Statistical Rating Organizations (NRSRO).

Please see Rating Description table herein, below.

14.0 MONITORING SAFETY AND LIQUIDITY

The Treasurer shall monitor on an ongoing basis investments for exposure to risk and credit deterioration to ensure primary objectives of safety of principal and liquidity are adhered to. Such matters shall be reported to the Agency Board of Directors as part of the Treasurer's quarterly and/or annual report.

15.0 ADMINISTRATION

The Treasurer may, at any time, establish more restrictive requirements for securities approved for investment as deemed appropriate in this Investment Policy. These restrictions may include, but are not limited to, higher credit ratings, lower percentage limits by security type or issuer, shorter maturities, and additional collateral requirements for collateralized investments.

16.0 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

Investments not purchased directly from the issuer will be purchased from institutions licensed by the State of California as a broker/dealer, including:

- National or California State Chartered Banks
- Federal or California Chartered Savings Institutions
- Brokerage firms designated as a primary government dealer by the Federal Reserve Bank

- Member of a federally regulated securities exchange
- Institutions licensed by the State of California as a broker/dealer
- Federal or state savings institutions or associations as defined in Finance Code Section 5102

The Treasurer or designee will maintain a current and eligible list of reputable primary and regional dealers, brokers, and financial institutions with whom securities trading and placement of funds are authorized. A strong capital base credit worthiness, and, where applicable, a broker/dealer staff experienced in transactions with California local governments are the primary criteria for inclusion on the Agency's approved list.

Approved dealers and brokers shall be limited to primary dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule) and which provide proof of Financial Industry Regulatory Authority (FINRA) certification; proof of California State registration; and a completed Agency broker/dealer questionnaire. In addition, prior to approval and for every two years thereafter, approved dealers and brokers must provide: an audited financial statement; certification of receipt, review of and willingness to comply with the current Investment Policy; and certification of compliance with Rule G-37 of the Municipal Securities Rulemaking Board regarding limitations on political contributions to the Board of Directors of the Agency or to any candidate for these offices.

The Treasurer may remove a firm from the approved list at any time due to any failure to comply with any of the above criteria; any failure to successfully execute a transaction; any change in broker/dealer staff; or any other action, event, or failure to act which, in the sole discretion of the Treasurer is materially adverse to the best interests of the Agency.

If the Agency utilizes an external investment advisor, the advisor will perform due diligence and maintain their own list of approved broker/dealers. The advisor is authorized to transact with its own approved broker/dealer list on behalf of the Agency.

17.0 INVESTMENT SECURITY

To ensure a high degree of internal control, the Agency shall comply with the following:

- All securities purchased from dealers and brokers shall be held in safekeeping by the Agency's custodial bank, a national bank, a State chartered bank or trust company, established for this purpose as someone other than the selling party of the security. Securities purchased will be covered by a trust or safekeeping receipt in a manner that establishes the Agency's ownership. All transactions completed on a delivery versus pay basis (DVP).
- All trade confirmation shall be received directly and reviewed for conformity to the original transaction by an individual other than the person originating the transaction.

All trade confirmation must be an original; copies of confirmations are not allowed. Any discrepancies will be brought to the attention of the Treasurer.

18.0 FUND WIRE PROCEDURES

Payment for securities purchased from broker dealers that are ineligible for safekeeping will be made through the Agency's custodial bank. Funds will only be transferred subsequently but immediately following the custodial bank's acknowledgement that they are prepared to make settlement on the terms and conditions specified by the Agency. Payment for securities purchased from bank investment departments that will be safely kept with the trust department of the bank will be made immediately upon confirmation of the trade.

19.0 PERFORMANCE REVIEW AND INTERNAL CONTROL

The Treasurer or designee is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Agency are protected from loss, theft, or misuse. The internal control structure will be designed to provide reasonable assurance that these objectives are met. The internal control includes; the activities of any subordinate officials acting on behalf of the Agency. Procedures should include references to individuals authorized to execute transactions or transfers, safekeeping agreements, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking services contracts, as appropriate. An independent analysis by an external auditor shall be conducted annually to review internal control, account activity, and compliance with policies, procedures, and applicable laws.

20.0 ETHICS AND CONFLICT OF INTEREST

All officers and employees involved in the investment process shall refrain from engaging in any personal business activity which could conflict with proper execution and management of the investment program or that could impair their ability to make impartial investment decisions. Any material financial interests in financial institutions which do business with the Agency should be disclosed to the General Manager of the Agency. All individuals involved in the investment process are required to annually file applicable financial disclosures as required by the Fair Political Practices Commission.

21.0 POLICY REVIEW AND ADOPTION

This Investment Policy shall be reviewed at least annually to ensure it is consistent with the Agency's objectives and relevance to current law and financial and economic trends. Any amendments to this Policy, other than State and Federal Laws, which automatically supersede the relevant sections, shall be forwarded to the Board of Directors for adoption by resolution.

22.0 HISTORY

| Date | Action | Resolution |
|----------------------|--------------------|-------------------|
| May 17, 2017 | Originally Adopted | 17-42 |
| May 16, 2018 | Adopted | 18-42 |
| May 15, 2019 | Adopted | 19-38 |
| April 15, 2020 | Adopted | 20-47 |
| June 16, 2021 | Adopted | 21-48 |
| June 15, 2022 | Adopted | 22-47 |
| June 21, 2023 | Adopted | 23-46 |
| <u>June 11, 2024</u> | <u>Adopted</u> | <u>24-45</u> |

**SUMMARY TABLE OF
INVESTMENT GUIDELINES AND ELIGIBLE SECURITIES**

| Authorized Investments | Maximum % Holdings | Purchase Restrictions | Maximum Maturity | Credit Quality |
|--------------------------------------|--|---|-------------------------|--|
| US Treasury Bonds, Bills and Notes | 100% | N.A. | 5 Years | <i>N.A.</i> |
| Federal Agency and GSE Bonds & Notes | 100% | N.A. | 5 Years | <i>Full backing by the federal government of the United States of America</i> |
| Bankers' Acceptance | 40% | 25% limitation to a single issuer | 180 days | <i>"A-1/P-1" rated by an NRSRO or equivalent for domestic banks</i> |
| Commercial Paper | 40% until 1/1/2026; 25% after 1/1/2026 | 5% limitation to single issuer | 270 days | <i>"A-1/P-1" rating category, equivalent or better by an NRSRO</i> |
| Medium Term Corporate Notes | 30% | 5% limitation to a single issuer. Limited to US licensed and operating corporations | 5 years | <i>"A" rating category, equivalent or better by an NRSRO</i> |
| Negotiable CD | 30% | National or state chartered bank, S&L, or branch of foreign bank | 5 years | <i>"A" rating category, equivalent or better by an NRSRO</i> |
| Certificates of Time Deposit | 30% | See California Government Code Section 53637 | 5 years | <i>Limit to FDIC Insured amount \$250,000, Fully collateralized on amounts over the insured</i> |

| Authorized Investments | Maximum % Holdings | Purchase Restrictions | Maximum Maturity | Credit Quality |
|--|---------------------|---|------------------|--|
| | | | | <i>amount in accordance with California Government Code</i> |
| Money Market Mutual Funds | 20% | 10% per fund Must maintain constant NAV of \$1.00 | Daily Liquidity | <i>Top ranking or highest letter and numerical by 2 NRSRO Fund must be invested in securities and obligation permitted under Government Code</i> |
| State of California, Local Agency Investment Fund ("LAIF") | Current State Limit | N.A. | N.A. | <i>Subject to California Government Code Section 16429.1 limitations</i> |
| Municipal Bonds & Notes | 40% | N.A. | 5 Years | <i>"A" rating category, equivalent or better by an NRSRO</i> |
| Repurchase Agreements ("REPO") | 20% | Limited to primary dealers or financial institutions rated "A" or better by Moody's | 360 days | <i>Fully collateralized (min 102% of funds borrowed with daily mark to market) with US Government or federal agency securities with maximum 5-year maturities</i> |
| California Asset Management Program ("CAMP") | 10% | N.A. | Daily Liquidity | <i>Highest rating by an NRSRO</i> |
| Section 115 Pension Trust Fund | By Board Approval | By Board Approval | N.A. | <i>Investment Guidelines Document for the Trust Fund</i> |
| Supranational Obligations | 30% | Issued by: International Bank for Reconstruction & | 5 Years | <i>"AA" rating category, equivalent or better by an NRSRO</i> |

| Authorized Investments | Maximum % Holdings | Purchase Restrictions | Maximum Maturity | Credit Quality |
|-------------------------|--------------------|--|------------------|--|
| | | Development, International Finance Corporation, or Inter-American Development Bank | | |
| Asset-Backed Securities | 20% | N.A. | 5 Years | <i>"AA" rating category, equivalent or better by an NRSRO</i> |

RATING DESCRIPTION TABLE

| Long Term Debt Ratings | | | |
|-------------------------------|----------------|------------------------------|--------------|
| Credit Quality | Moody's | S&P <u>Global</u> | Fitch |
| Strongest Quality | Aaa | AAA | AAA |
| Strong Quality | Aa1/Aa2/Aa3 | AA+/AA/AA- | AA |
| Good Quality | A1/A2/A3 | A+/A/A- | A |
| Medium Quality | Baa1/Baa2/Baa3 | BBB+/BBB/BBB- | BBB |
| Speculative | Ba1/Ba2/Ba3 | BB+/BB/BB- | BB |
| Low | B1/B2/B3 | B+/B/B- | B |
| Poor | Caa | CCC+ | CCC |
| Highly Speculative | Ca/C | CCC/CCC-/CC | CC |
| | | | |
| Short Debt Ratings | | | |
| Credit Quality | Moody's | S&P <u>Global</u> | Fitch |
| Strongest Quality | P-1 | A-1+ | F1 |
| Strong Quality | | A-1 | |
| Good Quality | P-2 | A-2 | F2 |
| Medium Quality | P-3 | A-3 | F3 |

Note: Investment Grade ratings applies to securities with at least a medium credit quality or higher by one of the nationally recognize rating organization, anything below the medium credit quality is non-investment grade.

EXHIBIT A GLOSSARY

ACCRETION: Adjustment of the difference between the prices of a bond bought at an original discount and the par value of the bond.

AGENCIES: Federal agency securities and/or Government-sponsored enterprises (GSEs), also known as U.S. Government instrumentalities. Securities issued by Government National Mortgage Association (GNMA) are considered true agency securities, backed by the full faith and credit of the U.S. Government. GSEs are financial intermediaries established by the federal government to fund loans to certain groups of borrowers, for example homeowners, farmers and students and are privately owned corporations with a public purpose. The most common GSEs are Federal Farm Credit System Banks, Federal Home Loan Banks, Federal Home Loan Mortgage Association, and Federal National Mortgage Association.

AMORTIZATION: Accounting procedure that gradually reduces the cost value of a limited life or intangible asset through periodic charges to income. For fixed assets, the term used is "depreciation." It is common practice to amortize any premium over par value paid in the purchase of preferred stock or bond investments.

ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR): The official annual financial report for the Agency. It includes combined statements and basic financial statements for each individual fund and account group prepared in conformity with Generally Accepted Accounting Principles (GAAP).

APPRECIATION: Increase in the value of an asset such as a stock bond, commodity, or real estate.

ASKED PRICE: The price a broker/dealer offers to sell securities.

ASSET BACKED: A type of security that is secured by receivables, such as credit card and auto loans. These securities typically pay principal and interest monthly.

BANKERS' ACCEPTANCE (BA): A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer. This money market instrument is used to finance international trade.

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

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

BID PRICE: The price a broker/dealer offers to purchase securities.

BOND: A financial obligation for which the issuers promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.

BOOK VALUE: The value at which a debt security is shown on the holder's balance sheet. Book value is acquisition cost less amortization of premium or accretion of discount.

BROKER: A broker acts as an intermediary between a buyer and seller for a commission and does not trade for his/her own risk and account or inventory.

CALLABLE SECURITIES: A security that can be redeemed by the issuer before the scheduled maturity date.

CASH EQUIVALENTS (CE): Highly liquid and safe instruments or investments that can be converted into cash immediately. Examples include bank accounts, money market funds, and Treasury bills.

CASH FLOW: An analysis of all changes that affect the cash account during a specified period.

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

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

COLLATERALIZED MORTGAGE OBLIGATION (CMO): A type of mortgage-backed security that creates separate pools of pass-through rates for different classes of bondholders with varying maturities, called tranches. The repayments from the pool of pass-through securities are used to retire the bonds in the order specified by the bonds' prospectus.

COMMERCIAL PAPER: Short-term, unsecured, negotiable promissory notes of corporations.

CORPORATE NOTE: Debt instrument issued by a private corporation.

COUPON: The annual rate at which a bond pays interest.

CREDIT RATINGS: A grade given to a debt instrument that indicates its credit quality. Private independent rating services such as S&P [Global](#), Moody's and Fitch provide these.

CREDIT RISK: The risk that an obligation will not be paid, and a loss will result due to a failure of the issuer of a security.

CUSIP: Stands for Committee on Uniform Securities Identification Procedures. A CUSIP number identifies most securities, including stocks of all registered U.S. and Canadian companies, and U.S. government and municipal bonds. The CUSIP system—owned by the American Bankers Association and operated by S&P [Global](#)—facilitates the clearing and settlement process of securities. The number consists of nine characters (including letters and numbers) that uniquely identify a company or issuer and the type of security.

CURRENT YIELD: The annual interest on an investment divided by the current market value. Since the calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

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

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

DEBENTURES: A bond secured only by the general credit of the issuers.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DERIVATIVES: A financial instrument that is based on, or derived from, some underlying asset, reference date, or index.

DIRECT ISSUER: Issuer markets its own paper directly to the investor without use of an intermediary.

DISCOUNT: The difference between the cost of a security and its value at maturity when quoted at lower than face value.

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

DURATION: A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. Duration measures the price sensitivity of a bond to changes in interest rates.

FACE VALUE: The principal amount owed on a debt instrument. It is the amount on which interest is computed and represents the amount that the issuer promises to pay at maturity.

FAIR VALUE: The amount at which a security could be exchanged between willing parties, other than in a forced or liquidation sale. If a market price is available, the fair value is equal to the market value.

FANNIE MAE: Trade name for the Federal National Mortgage Association (FNMA), a U.S. Government sponsored enterprise.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that provides insurance on bank deposits, guaranteeing deposits to a set limit per account, currently \$250,000.

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

FEDERAL FUNDS RATE: The rate of interest at which Federal funds are traded. This rate is considered to be the most sensitive indicator of the direction of interest rates, as it is currently pegged by the Federal Reserve through open-market operations.

FEDERAL GOVERNMENT AGENCY SECURITIES: Federal Agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored enterprise (currently made up of 12 regional banks) that regulates and lends funds and provides correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. Although the banks operate under federal charter with government supervision, the securities are not guaranteed by the U. S. Government.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC): Government sponsored enterprise that helps maintain the availability of mortgage credit for residential housing. FHLMC finances these operations by marketing guaranteed mortgage certificates and mortgage participation certificates. Its discount notes and bonds do not carry direct U.S. government guarantees.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): Government sponsored enterprise that is the largest single provider of residential mortgage funds in the United States. FNMA 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.

FEDERAL OPEN MARKET COMMITTEE (FOMC): A committee of the Federal Reserve Board, which establishes monetary policy and executes it through temporary and permanent changes to the supply of bank reserves.

FEDERAL RESERVE SYSTEM: The central bank of the U.S. which consists of a seven-member Board of Governors, 12 regional banks and about 5,700 commercial banks that are members.

FED WIRE: A wire transmission service established by the Federal Reserve Bank to facilitate the transfer of funds through debits and credits of funds between participants within the Fed system.

FREDDIE MAC: Trade name for the Federal Home Loan Mortgage Corporation (FHLMC), a U.S. government sponsored enterprise.

GINNIE MAE: Trade name for the Government National Mortgage Association (GNMA), a direct obligation bearing the full faith and credit of the U.S. Government.

GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB): A standard-setting body, associated with the Financial Accounting Foundation, which prescribes standard accounting practices for governmental units.

GUARANTEED INVESTMENT CONTRACTS (GICS): An agreement acknowledging receipt of funds, for deposit, specifying terms for withdrawal, and guaranteeing a rate of interest to be paid.

INTEREST RATE: The annual yield earned on an investment, expressed as a percentage.

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

INVESTMENT AGREEMENTS: A contract providing for the lending of issuer funds to a financial institution which agrees to repay the funds with interest under predetermined specifications.

INVESTMENT GRADE (LONG TERM RATINGS): The minimum, high quality ratings for long-term debt such as corporate notes. Investment Grade ratings are as follows: A3 (Moody's), A- (S&P [Global](#)), and A- (Fitch).

INVESTMENT PORTFOLIO: A collection of securities held by a bank, individual, institution or government agency for investment purposes.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash with minimum risk of principal.

LOCAL AGENCY INVESTMENT FUND (LAIF): An investment pool sponsored by the State of California and administered/managed by the State Treasurer. Local government units, with consent of the governing body of that agency, may voluntarily deposit surplus funds for the purpose of investment. Interest earned is distributed by the State Controller to the participating governmental agencies on a quarterly basis.

LOCAL AGENCY INVESTMENT POOL: A pooled investment vehicle sponsored by a local agency or a group of local agencies for use by other local agencies.

MARKET RISK: The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates. Systematic risk of a security that is common to all securities of the same general class (stocks, bonds, notes, money market instruments) and cannot be eliminated by diversification (which may be used to eliminate non-systematic risk).

MARKET VALUE: The price at which a security is currently being sold in the market. See FAIR VALUE.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase agreements and reverse repurchase agreements that establish 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 date that the principal or stated value of a debt instrument becomes due and payable.

MEDIUM-TERM CORPORATE NOTES (MTNs): Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts either on 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. This is a measure of a portfolio's or security's exposure to market risk.

MONEY MARKET: The market in which short-term debt instruments (Treasury Bills, Discount Notes, Commercial Paper, Banker's Acceptances and Negotiable Certificates of Deposit) are issued and traded.

MORTGAGED BACKED SECURITIES: A type of security that is secured by a mortgage or collection of mortgages. These securities typically pay principal and interest monthly.

MUNICIPAL BONDS: Debt obligations issued by states and local governments and their agencies, including cities, counties, government retirement plans, school Agencies, state universities, sewer agency, municipally owned utilities and authorities running bridges, airports, and other transportation facilities.

MUTUAL FUND: An entity that pools money and can invest in a variety of securities which are specifically defined in the fund's prospectus.

NEGOTIABLE CERTIFICATE OF DEPOSIT: A large denomination certificate of deposit which can be sold in the open market prior to maturity.

NET PORTFOLIO YIELD: Calculation in which the 365-day basis equals the annualized percentage of the sum of all Net Earnings during the period divided by the sum of all Average Daily Portfolio Balances.

NATIONALLY RECOGNIZED RATING ORGANIZATION (NRSRO): is a credit rating agency that issues credit rating that U.S. Securities and Exchange Commission permits other financial firms to use for certain regulatory purposes.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit: Sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PAR VALUE: The amount of principal which must be paid at maturity. Also referred to as the face amount of a bond. See FACE VALUE.

PORTFOLIO: The collection of securities held by an individual or institution.

PREMIUM: The difference between the par value of a bond and the cost of the bond, when the cost is above par.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. These dealers are authorized to buy and sell government securities in direct dealing with the Federal Reserve Bank of New York in its execution of market operations to carry out U.S. monetary policy. Such dealers must be qualified in terms of reputation, capacity, and adequacy of staff and facilities.

PRIME (SHORT TERM RATING): High quality ratings for short term debt such as commercial paper. Prime ratings are as follows: P1 (Moody's), A1 (S&P [Global](#)), and F1 (Fitch).

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

PRIVATE PLACEMENTS: Securities that do not have to be registered with the Securities and Exchange Commission because they are offered to a limited number of sophisticated investors.

PROSPECTUS: A legal document that must be provided to any prospective purchaser of a new securities offering registered with the Securities and Exchange Commission that typically includes information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements (also known as an "official statement").

PRUDENT INVESTOR STANDARD: A standard of conduct for fiduciaries. Investments shall 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 for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

PUBLIC DEPOSIT: A bank that is qualified under California law to accept a deposit of public funds.

PURCHASE DATE: The date in which a security is purchased for settlement on that or a later date. Also known as the "trade date."

RATE OF RETURN: 1) The yield which can be attained on a security based on its purchase price or its current market price. 2) Income earned on an investment, expressed as a percentage of the cost of the investment.

REALIZED GAIN (OR LOSS): Gain or loss resulting from the sale or disposal of a security.

REGIONAL DEALER: A financial intermediary that buys and sells securities for the benefit of its customers without maintaining substantial inventories of securities and that is not a primary dealer.

REPURCHASE AGREEMENT (RP or REPO): A transaction in which a counterparty or the holder of securities (e.g. investment dealer) sells these securities to an investor (e.g. the Agency) with a simultaneous agreement to repurchase them at a fixed date. The security "buyer" (e.g. the Agency) in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate the "buyer" for this. Dealers use

RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is, increasing bank reserves.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO): The opposite of a repurchase agreement. A reverse repo is a transaction in which the Agency sells securities to a counterparty (e.g. investment dealer) and agrees to repurchase the securities from the counterparty at a fixed date. The counterparty in effect lends the seller (e.g. the Agency) money for the period of the agreement with terms of the agreement structured to compensate the buyer.

RISK: Degree of uncertainty of return on an asset.

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

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

SECONDARY MARKET: A market for the repurchase and resale of outstanding issues following the initial distribution.

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

SETTLEMENT DATE: The date on which a trade is cleared by delivery of securities against funds.

SOFR: Acronym for "Secured Overnight Financing Rate," which represents a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities.

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

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 SOFR rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

SUPRANATIONALS: are international institutions that provide development financing, advisory services and/or financial services to their member countries to achieve the overall goal of improving living standards through sustainable economic growth. The Government Code allows local agencies to purchase the United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.

TIME DEPOSIT: A deposit with a California bank or savings and loan association for a specific amount and with a specific maturity date and interest rate. Deposits of up to \$250,000 are insured by FDIC. Deposits over \$250,000 are collateralized above the insurance with either government securities (at 110% of par value), first trust deeds (at 150% of par value), or letters of credit (at 105% of par value).

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 and includes interest earnings and realized and unrealized gains and losses on the portfolio. For bonds held to maturity, total return is the yield to maturity.

TRUSTEE OR TRUST COMPANY OR TRUST DEPARTMENT OF A BANK: A financial institution with trust powers which acts in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

UNDERWRITER: A dealer which purchases a new issue of municipal securities for resale.

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.

U.S. GOVERNMENT AGENCY SECURITIES: Securities issued by U.S. government agencies, most of which are secured only by the credit worthiness of the particular agency. See AGENCIES.

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 the benchmark for interest rates on all other securities in the U.S. The Treasury issues both discounted securities and fixed coupon

notes and bonds. The income from Treasury securities is exempt from state and local, but not federal, taxes.

TREASURY BILLS: Securities issued at a discount with initial maturities of one year or less. The Treasury currently issues three-month and six-month Treasury bills at regular weekly auctions. It also issues very short-term “cash management” bills as needed to smooth out cash flows.

TREASURY NOTES: Intermediate-term coupon-bearing securities with initial maturities of one year to ten years.

TREASURY BOND: Long-term coupon-bearing securities with initial maturities of ten years or longer.

UNREALIZED GAIN (OR LOSS): Gain or loss that has not become actual. It becomes a realized gain (or loss) when the security in which there is a gain or loss is actually sold. See REALIZED GAIN (OR LOSS).

VOLATILITY: Characteristic of a security, commodity, or market to rise or fall sharply in price within a short-term period.

WEIGHTED AVERAGE MATURITY: The average maturity of all the securities that comprise a portfolio that is typically expressed in days or years.

YIELD: The annual rate of return on an investment expressed as a percentage of the investment. See CURRENT YIELD; YIELD TO MATURITY.

YIELD CURVE: Graph showing the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity.

YIELD TO MATURITY: Concept used to determine the rate of return if an investment is held to maturity. It considers purchase price, redemption value, time to maturity, coupon yield, and the time between interest payments. It is the rate of income return on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.