



**MINUTES OF THE MEETING OF
PARTNERSHIP HEALTHPLAN OF CALIFORNIA FINANCE COMMITTEE
In person locations:**

- Partnership’s Fairfield Office located at 4605 Business Center Drive, Fairfield, CA (Conference Center)**
- Partnership’s Redding Office located at 2525 Airpark Dr., Redding, CA**
- Partnership’s Santa Rosa Office located at 495 Tesconi Circle, Santa Rosa, CA**
- Partnership’s Eureka Office located at 1036 5th Street, Eureka, CA**
- Partnership’s Auburn Office located at 281 Nevada Street, Auburn, CA**
- Partnership’s Chico Office located at 1000 Fortress Street, Chico, CA**

**On
February 18, 2026**

Members Present: Jayme Bottke, Dean Germano, Alicia Hardy, Dave Jones, Chair, Nancy Starck, Nolan Sullivan

Members Excused: Ryan Gruver

Staff: Leigha Andrews, Jill Blake, Wendell Coats, Wendi Davis, Marisa Dominguez, Ryan Eberle, Naomi Gordon, John Lemoine, Jennifer Lopez, Kathryn Power, Ashlyn Scott, Tim Sharp, Rebecca Stark, Amy Turnipseed, Colleen Valenti

AGENDA ITEM	DISCUSSION	MOTION / ACTION
1.2 Roll Call	Ashlyn Scott, Clerk of the Commission, called the roll indicating there was a quorum.	None
1.3 Approval of Agenda	Chairman Jones asked if anyone had changes to the agenda. Hearing no requests for modification, he asked for a motion to approve the agenda.	<p><i>Commissioner Bottke moved to approve the agenda as presented, seconded by Commissioner Starck.</i></p> <p><u>ACTION SUMMARY:</u> <i>Yes: 6 No: 0</i></p>

		<p><i>Abstention: 0</i> <i>Excused: 2 (Andrus, Gruver)</i></p> <p>MOTION CARRIED</p>
1.4 Approval of the January 21, 2026, Finance Committee Meeting Minutes	Chairman Jones asked if anyone had changes to the January 21, 2026, minutes. Hearing no requests for modification, he asked for a motion to approve the minutes.	<p><i>Commissioner Starck moved to approve the minutes as presented, seconded by Commissioner Bottke.</i></p> <p><u>ACTION SUMMARY:</u> <i>Yes: 6</i> <i>No: 0</i> <i>Abstention: 0</i> <i>Excused: 2 (Andrus, Gruver)</i></p> <p>MOTION CARRIED</p>
1.5 & 1.6 Public Comment and Commissioner Comment	Chairman Jones asked if there were any public or commissioner comments. There were none.	None
New Business		
2.1 Resolution to Accept Commissioner Jonathon Andrus' Resignation from the Finance Committee as a Siskiyou County Representative	Sonja Bjork, Chief Executive Officer, reported that the term of Siskiyou Board Representative Jonathon Andrus has concluded, and the Siskiyou Board of Supervisors has appointed a new representative to the Partnership Board. She then requested a motion to accept Jonathon's resignation from the Finance Committee.	<p><i>Commissioner Germano moved to approve the minutes as presented, seconded by Commissioner Bottke.</i></p> <p><u>ACTION SUMMARY:</u> <i>Yes: 6</i> <i>No: 0</i> <i>Abstention: 0</i> <i>Excused: 1 (Gruver)</i></p> <p>MOTION CARRIED</p>
2.2 CEO Report	<p>Sonja Bjork, Chief Executive Officer, reported on the following topics:</p> <p><i>Provider Taxes</i> – Since the passage of H.R. 1, Partnership has been assessing the potential impacts on provider tax mechanisms, which many providers rely on to supplement low Medi-Cal reimbursement rates. California remains one of the most active users of these provider taxes.</p>	None

programs.

H.R. 1 changed several federal rules, reflecting concerns that states were drawing too much federal funding through these mechanisms. Initially, we were concerned that the current Managed Care Organization (MCO)tax program might end in June 2026. However, the Governor’s proposed budget included funding to continue the program through the 2026 calendar year.

In January, CMS issued its final rule confirming that these payments will indeed continue through the end of this year, totaling nearly \$2 billion statewide. While significant planning is still required, the extension gives us more time to prepare for anticipated reductions and provides a longer runway for adjustment.

IGTs / Voluntary Rate Range Program— This program is another tool used to draw down federal dollars for public entities with taxing authority. Its future is never certain, but as of now, it remains allowable under H.R. 1.

Last week, Partnership distributed Calendar Year 2024 payments to participating entities including fire districts, counties, UCs, and hospital districts in our communities. We have also received correspondence from DHCS regarding participation for Calendar Year 2025. Entities wishing to participate in CY 2025 must submit letters of intent to Partnership by end of March. The timeline is strict, so we will be sending reminders to ensure submissions are received on time. These funds must continue to be used exclusively to cover unmet costs for Medi-Cal covered services in the managed care delivery system.

CalAIM – At the recent statewide DHCS/Managed Care Plan CEO meetings, the state reaffirmed its strong commitment to expanding CalAIM. Although California’s current waiver is approved, it expires at the end of 2026, and the state is now preparing a new waiver for submission. The proposal is currently open for public comment. It is not yet clear whether the new waiver will receive approval, given CMS’s stated intent to refocus on core Medicaid services.

Transitional Rent – Partnership launched the transitional rent benefit on January 1, 2026. Implementing this benefit requires extensive coordination among health plans, county Behavioral Health departments, and county Health and Human Services agencies. The benefit targets a very specific population, individuals with serious mental illness who are experiencing homelessness. Standing up this benefit will require practice and refinement, and each county must agree to fund the seventh month and beyond. Because the state will not release the formal policy guide until March, we have been building the program without having all the final details. Our hope is that this benefit will meaningfully help individuals secure stable housing, and we look forward to sharing success stories as they emerge.

	<p><i>Rural Health Transformation Funding</i> – California has been awarded a little over \$220 million in rural health transformation funding; a relatively small amount for the entire state and insufficient to offset the significant Medicaid reductions. Implementing this program will require substantial consulting support to interpret the rules and determine which projects qualify for funding. In addition, the state’s spending plan will require CMS approval.</p> <p>An advisory committee has been established, with LHPC representing health plans on the committee. Oversight of the program is extensive, and the funds must be used exclusively for new initiatives, not for existing Medicaid services. Projects must also fall within CMS-approved categories. While the funding is limited, we will work to support providers interested in applying.</p> <p><i>Commissioner Starck asked whether the rural health transformation funding is open to hospitals, clinics, and other types of organizations.</i></p> <p><i>Ms. Bjork explained that although it initially appeared the funding would be limited to hospitals, it has since been clarified that FQHCs, hospitals, and additional eligible entities will also be able to apply.</i></p> <p><i>Commissioner Sullivan stated that Sonoma County is awaiting more information regarding the County Medical Services Program (CMSP) population, to help inform its budget for next fiscal year. The initial projected numbers for the program are alarming, though it remains unclear how the Legislature will ultimately act. He asked whether Partnership has heard any updates.</i></p> <p><i>Ms. Bjork responded that Chief Strategy and Government Affairs Officer, Amy Turnipseed, is actively engaged at the state level, providing input, raising questions, and advocating for solutions for individuals who may lose coverage. Many of Partnership’s counties participate in CMSP, and the program is known to be costly. She noted that the state budget is not yet final, leaving room for ongoing advocacy to ensure support for this population.</i></p>	
<p>2.3 ACTION: Accept December 2025 Metrics and Financials</p>	<p>Jennifer Lopez, Chief Financial Officer, presented the financial metrics for the month ending December 31, 2025. At month-end, Partnership reported a surplus of \$8.6 million, bringing the year-to-date surplus to \$18.2 million. Total Revenue is lower than budget by \$49.0 million for the month and \$305.5 million for year-to-date.</p> <p>She noted continued favorability in interest income, which was \$5.2 million favorable year-to-date, however, rate cuts are anticipated and could affect future earnings. Total Healthcare Costs are \$57.9 million below budget for the month and \$304.2 million below budget year-to-date, largely due to directed payment-related timing and offsets.</p>	<p><i>Commissioner Bottke moved to approve the December metrics and financials as presented, seconded by Commissioner Sullivan.</i></p> <p><u>ACTION SUMMARY:</u> <i>Yes: 6 No: 0 Abstention: 0 Excused: 1 (Gruver)</i></p>

Ms. Lopez reported that Non-Capitated Physician and Ancillary expenses are \$87.1 million unfavorable to budget, primarily due to adjustments to the IBNR reserves reflecting the most current cost and utilization trends, which Partnership staff continues to closely monitor. Administrative costs are overall favorable to budget by \$6.7 million for the month and \$31.0 million for the year-to-date.

Membership Update

Ms. Lopez presented membership trend slides to the committee. She reported that Partnership currently has approximately 98,000 members with Unsatisfactory Immigration Status (UIS) who may be at risk of losing access to the Medi-Cal Managed Care delivery system. Partnership has experienced an overall 2.62% membership decline in total since December, a level of decrease not seen in several years. Compared to our sister plans, we fall in the mid-range in terms of overall membership reductions. She noted that the drop among Child, non-ACA adults (ages 19–64), and ACA adults is particularly concerning.

Ms. Lopez shared that numerous questions have been raised during the all-plan CFO meetings with DHCS regarding membership decreases. Some of the decline is believed to be tied to California’s updated asset tests which were expected as revised asset thresholds means certain individuals no longer qualify for Medi-Cal. The state is also working with counties to resolve duplicate CINs in enrollment files.

Partnership is conducting a deeper analysis to understand the characteristics of members who are disenrolling, examining factors such as prior utilization and recent access to care. Due to the volatility in membership, staff have not yet been able to finalize a revised budget for presentation to the Finance Committee and Board; it is anticipated an updated budget will be brought forward in April.

Commissioner Sullivan noted that he does not have clear answers regarding the recent membership reductions, although some data-cleanup efforts have been underway for the past six months. He expressed concern that the broader national rhetoric surrounding Medicaid may be creating a chilling effect, leading individuals to avoid accessing care or to disenroll altogether. He added that he is interested to see whether the sharp decline observed over the past two months is an anomaly and looks forward to closely monitoring the trends in the months ahead.

Commissioner Starck noted that her county currently has fewer backlogs than in the past, with less than 10% of cases overdue. She added that she will need to conduct further analysis to better understand the data.

MOTION CARRIED

	<p><i>Ms. Lopez stated that staff will continue to bring membership trend graphs to the committee for ongoing review.</i></p> <p><i>Commissioner Germano asked when the new H.R.1 work requirements will go into effect, expressing concern about the additional burden this may place on county eligibility workers.</i></p> <p><i>Ms. Lopez responded that the work requirements are scheduled to go into effect in January 2027.</i></p> <p>Ms. Lopez continued by noting that DHCS is expected to make additional changes to our rates. She emphasized that this level of uncertainty has become the new normal, and although final rates are not yet known, staff continue to closely monitor emerging trends. We are also preparing for the new rate efficiency adjustments that DHCS plans to implement in 2027. Partnership continues to plan proactively for the fiscal challenges ahead.</p> <p>In response to the CMS Final Rule, the state provided an update indicating many of the hospital Directed Payments have been grandfathered at 2025 rate levels, with some continuing at 2026 rate levels. A graph illustrating total statewide funding levels will be presented to the committee next month.</p> <p>The Private Hospital Directed Payment (PHDP) funded through the hospital provider tax have not yet been approved by CMS. This represents approximately \$6 billion in potential additional funding for hospitals. Significant advocacy efforts are underway, and Ms. Lopez expressed hope that more information will be available at the next meeting.</p> <p>Ms. Lopez reviewed the list of entities that received a portion of the funds distributed through the IGT/Voluntary Rate Range Program. She reminded the committee that these funds support uncompensated Medi-Cal costs, which is why hospitals receive the largest share, as they can easily demonstrate services provided to Partnership members and the associated unmet costs. She noted that Partnership must have received claims data from an entity to be eligible for these funds, and while some entities submit this information without issue, others find the process burdensome.</p>	
<p>2.4 ACTION: Resolution to Accept the Quality Investment Funding</p>	<p>Ms. Lopez presented a resolution requesting committee approval to allocate up to \$2 million in Quality Investment funding within the 10-county expansion region. She explained that the Department of Health Care Services (DHCS) has implemented the Community Reinvestment Policy through All-Plan Letter (APL) 25-004, requiring Medi-Cal Managed Care Plans with annual positive net income to reinvest a portion of their earnings into local communities beginning in 2026, based on 2024 financial data. The required reinvestment amount will also be tied to each plan's performance on the Managed Care Accountability Set (MCAS) quality measures. Partnership's 10-county expansion region will not be subject to these reinvestment requirements until 2028, based on 2025 financial data.</p>	<p><i>Commissioner Germano moved to approve Agenda Item 2.4 as presented, seconded by Commissioner Hardy.</i></p> <p><u>ACTION SUMMARY:</u> <i>Yes 5</i> <i>No: 0</i></p>

	<p>She further noted that DHCS has implemented quality sanctions and quality rate withholds across the state. As DHCS and Partnership continue to prioritize high-quality care for members, Partnership remains committed to investing in quality initiatives throughout the region.</p> <p>Under the proposed allocation, up to \$2 million in Quality Investment funding would be distributed as follows:</p> <ol style="list-style-type: none"> 1. \$50,000 per county to support local quality improvement activities, and 2. Up to \$1.5 million for provider quality grant initiatives across the full 10-County region. <p><i>Commissioner Bottke stated that, as a representative of one of the expansion counties, she appreciates this type of assistance, which is critically needed in smaller counties. She expressed her full support for the proposal and hoped others recognize its value as well.</i></p>	<p><i>Abstention: 1 (Bottke)</i> <i>Excused: 1 (Gruver)</i></p> <p>MOTION CARRIED</p>
<p>2.5 ACTION: Resolution to Accept Commissioner Chris Champlin’s Appointment to the Finance Committee as a Sutter County Representative</p>	<p>Ms. Bjork announced that Chris Champlin, President of Adventist Health and representative for Sutter County on the Partnership Board, has expressed interest in serving on the Finance Committee.</p>	<p><i>Commissioner Starck moved to approve Agenda Item 2.5 as presented, seconded by Commissioner Bottke.</i></p> <p><u>ACTION SUMMARY:</u> <i>Yes: 6</i> <i>No: 0</i> <i>Abstention: 0</i> <i>Excused: 1 (Gruver)</i></p> <p>MOTION CARRIED</p>
<p>Adjournment</p>	<p>Chairman Jones adjourned the meeting at 9:33AM.</p>	<p>None</p>

Respectfully submitted by:
Ashlyn Scott, Board Clerk

Committee Approval Date: 3/18/2026

Signed: _____
Ashlyn Scott, Clerk



**Finance Committee
Chief Executive Officer Update
March 18, 2026**

- 1. Voluntary Rate Range Program**
- 2. Sacramento Update**
- 3. Rural Health Transformation Fund**
- 4. CalAIM changes**

FINANCIAL HIGHLIGHTS

Of The Partnership HealthPlan of California

For the Period Ending January 31, 2026

Financial Analysis for the Current Period

Total Surplus

For the month ending January 31, 2026, Partnership reported a deficit of \$3.8 million, bringing the year-to-date surplus to \$14.3 million. Key variances are outlined below.

Revenue

Total Revenue is lower than budget by \$43.6 million for the month and \$349.1 million for year-to-date. The following summarizes the year-to-date variances. Medi-Cal revenue is \$69.6 million favorable to budget primarily due to retro membership and the prior and current period risk corridor adjustments. Directed Payments are \$435.0 million unfavorable to budget due to lower than anticipated rates with a corresponding offset recorded in Healthcare Investment Funds (HCIF). Supplemental revenues were \$9.5 million above budget, reflecting higher Proposition 56 revenue and higher than expected volumes for Maternity Kick. Interest income is \$6.7 million favorable to budget due to higher than anticipated interest rates. The remaining favorable variance is attributed to other revenues.

Healthcare Costs

Total Healthcare Costs are lower than budget by \$55.1 million for the month and \$359.3 million year-to-date. The following summarizes the year-to-date variances. Non-Capitated Physician and Ancillary expenses are \$99.4 million unfavorable to budget primarily due to adjustments to IBNR reserves which reflect the latest cost and utilization trends. Capitation expenses are \$7.5 million favorable to budget due to changes in the funding methodologies for certain healthcare providers. Long-term care costs are unfavorable to budget by \$5.3 million due to higher prior period rate adjustments. Inpatient Hospital Fee-For-Service (FFS) expenses are favorable to budget by \$30.4 million, driven by adjustments to IBNR reserves attributed to lower utilization. HCIF expenses are \$418.9 million favorable to budget due to lower than anticipated Directed Payment rates. Transportation costs are \$2.8 million unfavorable to budget, attributed to increased utilization. Quality Assurance expenses are \$10.0 million favorable to budget due to the timing of medical administrative costs.

Administrative Costs

Total Administrative costs are overall favorable to budget by \$7.6 million for the month and \$38.6 million for the year-to-date. The primary positive variance is in Employee costs due to the timing of the filling of open positions geared towards fulfilling our regulatory requirements; this variance offsets some of the utilization of consultants in the Professional Services category. An additional variance is in Occupancy due to the timing of building related costs including repairs, maintenance, and utilities, as well as the depreciation expenses that accompany capital asset purchases. Lastly, an additional variance in Computer and Data is due to the timing of software purchases, which typically correlates to the variance in staffing.

Balance Sheet / Cash Flow

Total Cash & Cash Equivalents decreased by \$259.0 million for the month. Typical significant cash transactions include State Capitation payments received; healthcare cost payments to providers; and

FINANCIAL HIGHLIGHTS
Of The Partnership HealthPlan of California
For the Period Ending January 31, 2026

administrative and capital payments out to vendors, employees, and other entities. Items of note for the month include \$207.5 million of voluntary rate range disbursements and \$188.4 million in MCO quarterly tax payments.

General Statistics

Membership

Membership had a total net decrease of 12,025 members for the month.

Utilization Metrics and High Dollar Case

For the fiscal year 2025/26 through January 2026, 399 members reached the \$250,000 threshold with an average cost of \$509,880. For fiscal year 2024/25, 1,278 members reached the \$250,000 threshold with an average cost per case of \$515,812. For fiscal year 2023/24, 900 members reached the \$250,000 threshold with an average claims cost of \$512,354.

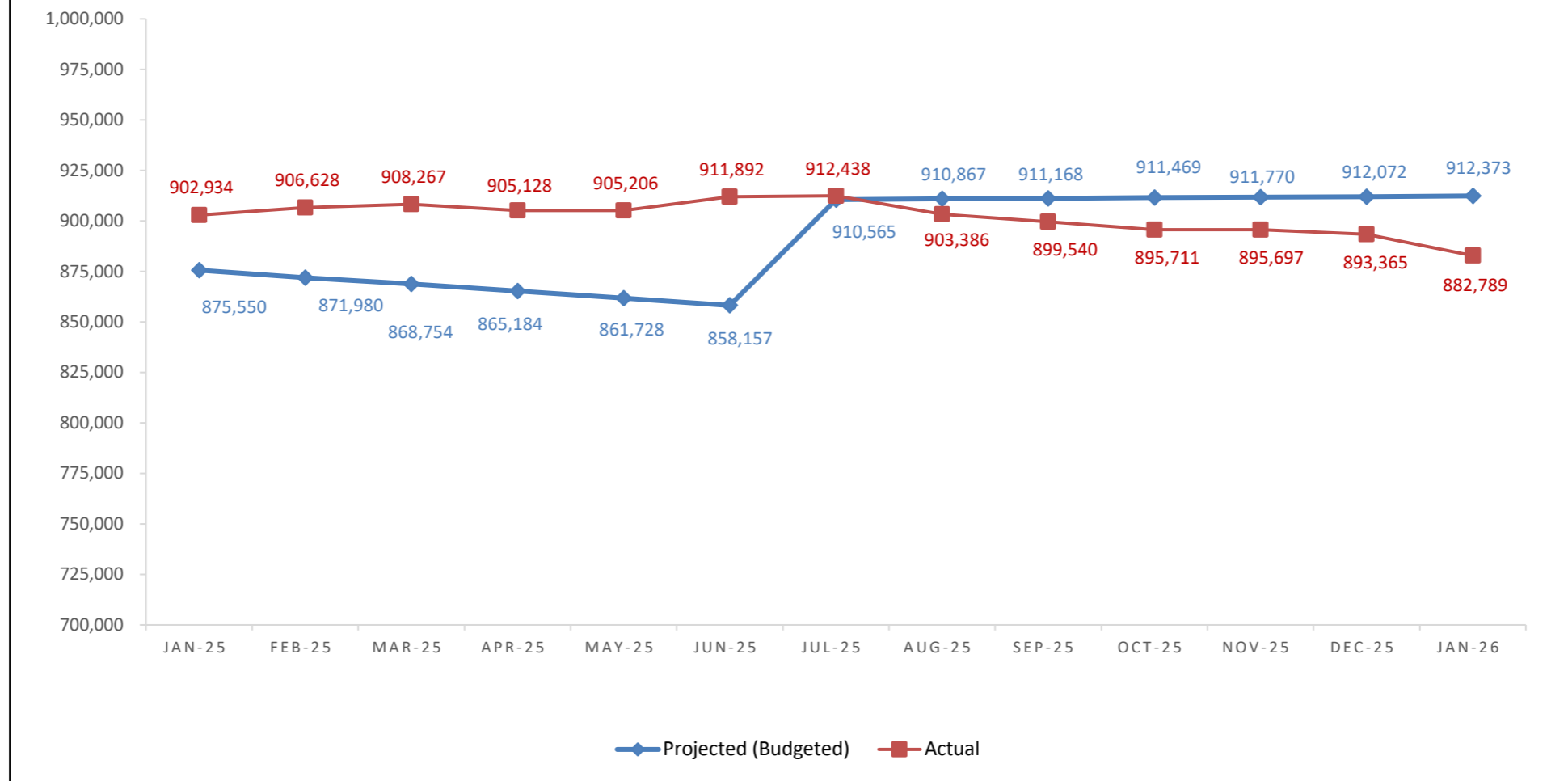
Current Ratio/Reserved Funds

Current Ratio Including Required Reserves:	1.46
Current Ratio Excluding Required Reserves:	0.99
Required Reserves:	\$1,479,811,143
Total Fund Balance:	\$1,471,888,870

Days of Cash on Hand

Including Required Reserves:	120.79
Excluding Required Reserves:	53.44

**PARTNERSHIP HEALTHPLAN OF CALIFORNIA
ACTUAL V. PROJECTED MEDI-CAL ENROLLMENT
JAN 2025 - JAN 2026**



Member Months by County:

County	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26
Solano	102,170	102,511	102,443	102,189	102,658	103,987	104,011	102,676	102,240	101,767	101,583	101,555	98,608
Napa	26,991	27,197	27,289	27,339	27,450	27,826	27,732	27,619	27,642	27,529	27,480	27,355	26,951
Yolo	52,646	52,963	53,239	53,213	53,722	55,109	54,845	54,223	54,152	53,995	54,252	54,140	53,283
Sonoma	110,844	112,863	112,617	112,643	111,321	112,499	112,958	111,588	110,631	110,400	109,596	109,061	107,549
Marin	46,616	46,859	47,015	46,629	46,873	47,047	47,313	46,806	46,609	46,235	46,089	45,096	44,197
Mendocino	40,708	40,899	41,086	40,682	40,941	40,852	41,104	40,506	40,390	40,244	40,200	40,229	39,247
Lake	34,338	34,229	34,164	34,124	34,105	33,983	33,960	33,568	33,236	33,298	33,359	33,389	33,107
Del Norte	12,466	12,513	12,468	12,246	12,336	12,400	12,362	12,314	12,197	12,191	12,220	12,169	12,188
Humboldt	58,332	58,577	58,588	58,149	57,830	57,528	57,819	56,962	56,678	56,451	56,095	55,976	55,830
Lassen	8,761	8,825	8,821	8,767	8,764	8,656	8,575	8,358	8,439	8,412	8,406	8,491	8,375
Modoc	3,943	3,990	4,011	4,013	3,930	3,893	3,878	3,888	3,827	3,743	3,747	3,845	3,836
Shasta	66,195	65,800	66,052	65,219	65,101	65,377	65,400	64,714	64,742	64,786	65,062	64,124	64,876
Siskiyou	17,902	17,706	17,777	17,605	17,791	18,056	18,058	17,782	17,760	17,739	17,786	17,928	17,691
Trinity	5,286	5,348	5,345	5,321	5,325	5,250	5,193	5,220	5,103	5,169	5,118	5,081	4,955
Butte	85,639	85,539	86,256	85,897	85,920	85,649	84,789	84,665	84,532	84,241	84,407	84,874	84,412
Colusa	10,219	10,232	10,288	10,340	10,306	10,362	10,260	10,152	9,996	9,913	9,968	10,006	10,025
Glenn	13,594	13,623	13,786	13,690	13,682	13,647	13,764	13,687	13,672	13,523	13,497	13,456	13,358
Nevada	28,748	28,736	28,570	28,579	28,602	28,731	28,787	28,464	28,369	28,250	28,148	28,633	28,415
Placer	60,497	60,860	61,013	61,260	61,300	62,271	62,355	61,883	61,676	61,371	61,679	61,561	60,619
Plumas	5,792	5,858	5,925	5,886	5,807	5,755	5,784	5,783	5,616	5,575	5,478	5,429	5,395
Sierra	874	888	868	862	832	862	851	825	832	820	810	813	828
Sutter	43,430	43,691	43,601	43,739	43,829	44,348	44,796	44,471	44,294	43,923	44,223	44,067	43,956
Tehama	30,321	30,240	30,059	30,011	29,932	30,038	30,166	29,626	29,551	29,266	29,219	29,095	29,098
Yuba	36,622	36,681	36,986	36,725	36,849	37,766	37,678	37,606	37,356	36,870	37,275	36,992	35,990
All Counties Total	902,934	906,628	908,267	905,128	905,206	911,892	912,438	903,386	899,540	895,711	895,697	893,365	882,789

Medi-Cal Region 1: Sonoma, Solano, Napa, Yolo & Marin; Medi-Cal Region 2: Mendocino & Rural 8 Counties; Medi-Cal Region 3: Butte, Colusa, Glenn, Nevada, Placer, Plumas, Sierra, Sutter, Tehama & Yuba

**Partnership HealthPlan of California
Comparative Financial Indicators Monthly Report
Fiscal Year 2025 - 2026 & Fiscal Year 2024 - 2025**

FINANCIAL INDICATORS													Avg / Month As of	
	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26						YTD	Jan-26
Total Enrollment	911,768	903,653	898,537	895,299	893,778	892,208	880,183						6,275,426	896,489
Total Revenue	593,945,794	596,614,742	614,951,654	605,173,794	589,922,935	597,186,401	597,564,630						4,195,359,949	599,337,136
Total Healthcare Costs	498,796,206	506,539,614	512,291,047	520,182,134	500,456,939	496,774,321	509,948,545						3,544,988,810	506,426,973
Total Administrative Costs	24,791,602	22,017,598	26,477,113	24,878,941	26,778,257	26,528,471	26,108,033						177,580,014	25,368,573
Medi-Cal Hospital & Managed Care Taxes	66,396,128	65,722,340	65,436,800	65,176,911	65,100,207	65,268,296	65,351,788						458,452,470	65,493,210
Total Current Year Surplus (Deficit)	3,961,858	2,335,190	10,746,694	(5,064,192)	(2,412,468)	8,615,313	(3,843,736)						14,338,655	2,048,379
Total Claims Payable	629,390,689	669,310,022	649,369,505	691,165,158	693,242,993	695,889,424	733,344,288						733,344,288	680,244,583
Total Fund Balance	1,461,512,071	1,463,847,260	1,474,593,953	1,469,529,761	1,467,117,293	1,475,732,606	1,471,888,870						1,471,888,870	1,469,174,545
Reserved Funds														
State Financial Performance Guarantee	1,135,173,000	1,146,059,000	1,166,267,000	1,181,553,000	1,195,372,000	1,208,212,000	1,221,224,000						1,221,224,000	1,179,122,857
Board Approved Capital and Infrastructure Purchases	100,733,349	100,103,601	98,688,437	97,620,158	94,941,438	93,782,664	92,028,380						92,028,380	96,842,575
Capital Assets	161,362,815	161,328,374	162,223,752	162,679,193	164,744,577	165,348,675	166,558,763						166,558,763	163,463,736
Strategic Use of Reserve-Board Approved	71,002,668	71,002,668	71,002,668	71,002,668	71,002,668	71,002,668	68,377,668						68,377,668	70,627,668
Unrestricted Fund Balance	(6,759,761)	(14,646,383)	(23,587,903)	(43,325,258)	(58,943,390)	(62,613,402)	(76,299,941)						(76,299,941)	(40,882,291)
Fund Balance as % of Reserved Funds	99.54%	99.01%	98.43%	97.14%	96.14%	95.93%	95.07%						95.07%	97.29%
Current Ratio (including Required Reserves)	1.49:1	1.46:1	1.44:1	1.45:1	1.43:1	1.43:1	1.46:1						1.46:1	1.45:1
Medical Loss Ratio w/o Tax	94.55%	95.41%	93.23%	96.33%	95.36%	93.39%	95.82%						94.86%	94.86%
Admin Ratio w/o Tax	4.70%	4.15%	4.82%	4.61%	5.10%	4.99%	4.91%						4.75%	4.75%
Profit Margin Ratio	0.75%	0.44%	1.96%	-0.94%	-0.46%	1.62%	-0.72%						0.38%	0.38%

FINANCIAL INDICATORS													Avg / Month As of	
	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	YTD	Jun-25
Total Enrollment	898,490	898,153	897,450	895,408	895,235	905,698	901,907	904,947	906,317	904,513	903,817	910,264	10,822,199	901,850
Total Revenue	516,467,263	505,732,274	517,421,674	517,491,108	507,895,691	520,768,067	518,706,967	759,253,557	692,900,747	592,855,121	595,592,203	643,816,561	6,888,901,232	574,075,103
Total Healthcare Costs	455,570,291	455,587,935	449,203,390	445,671,531	422,571,150	440,227,707	443,280,032	430,197,038	480,694,520	490,255,409	527,157,036	443,488,949	5,483,904,985	456,992,082
Total Administrative Costs	17,164,116	20,965,109	20,303,694	22,663,983	19,787,655	21,565,508	23,537,967	22,873,201	21,628,246	26,832,114	23,265,462	26,309,568	266,896,625	22,241,385
Medi-Cal Hospital & Managed Care Taxes	46,566,563	46,437,851	46,436,856	46,083,262	46,460,193	46,509,845	46,696,106	298,302,026	105,449,368	66,370,265	66,176,548	66,663,236	928,152,119	77,346,010
Total Current Year Surplus (Deficit)	(2,833,707)	(17,258,621)	1,477,734	3,072,332	19,076,693	12,465,007	5,192,862	7,881,292	85,128,613	9,397,333	(21,006,843)	107,354,808	209,947,503	17,495,625
Total Claims Payable	884,509,979	911,448,691	890,651,592	852,864,933	830,533,762	775,002,932	770,859,204	759,273,827	639,166,969	601,722,478	648,998,299	613,302,418	613,302,418	764,861,257
Total Fund Balance	1,244,769,003	1,227,510,382	1,228,988,116	1,232,060,447	1,251,137,140	1,263,602,149	1,268,795,012	1,276,676,303	1,361,804,917	1,371,202,250	1,350,195,407	1,457,550,213	1,457,550,213	1,294,524,278
Reserved Funds														
State Financial Performance Guarantee	1,092,899,000	1,093,798,000	1,096,923,000	1,100,211,000	1,102,840,000	1,046,032,000	1,049,745,000	1,091,605,000	1,119,293,000	1,130,765,000	1,143,805,000	1,121,915,000	1,121,915,000	1,099,152,583
Board Approved Capital and Infrastructure Purchases	79,941,518	79,360,193	77,250,794	76,202,434	75,447,816	73,742,888	72,667,651	71,478,836	70,124,244	66,296,695	66,344,624	63,186,278	63,186,278	72,670,331
Capital Assets	134,500,819	148,731,129	150,227,245	152,420,562	152,556,243	152,888,655	154,088,260	154,631,556	155,340,379	157,165,923	157,852,579	160,862,612	160,862,612	152,605,497
Strategic Use of Reserve-Board Approved	71,002,668	71,002,668	71,002,668	71,002,668	71,002,668	71,002,668	71,002,668	71,002,668	71,002,668	71,002,668	71,002,668	71,002,668	71,002,668	71,002,668
Unrestricted Fund Balance	(133,575,002)	(165,381,608)	(166,415,591)	(167,776,217)	(150,709,587)	(80,064,063)	(78,708,568)	(112,041,757)	(53,955,374)	(54,028,036)	(88,809,464)	40,583,655	40,583,655	(100,906,801)
Fund Balance as % of Reserved Funds	90.31%	88.13%	88.07%	88.01%	89.25%	94.04%	94.16%	91.93%	96.19%	96.21%	93.83%	102.86%	102.86%	92.77%
Current Ratio (including Required Reserves)	1.45:1	1.41:1	1.40:1	1.40:1	1.40:1	1.39:1	1.41:1	1.37:1	1.44:1	1.45:1	1.43:1	1.48:1	1.48:1	1.42:1
Medical Loss Ratio w/o Tax	96.95%	99.19%	95.38%	94.54%	91.58%	92.82%	93.91%	93.33%	81.83%	93.12%	99.57%	76.84%	92.00%	92.00%
Admin Ratio w/o Tax	3.65%	4.56%	4.31%	4.81%	4.29%	4.55%	4.99%	4.96%	3.68%	5.10%	4.39%	4.56%	4.48%	4.48%
Profit Margin Ratio	-0.60%	-3.76%	0.31%	0.65%	4.13%	2.63%	1.10%	1.71%	14.49%	1.78%	-3.97%	18.60%	3.52%	3.52%

PARTNERSHIP HEALTHPLAN OF CALIFORNIA
Membership and Financial Summary
For The Period Ending January 31, 2026

CURRENT MONTH	PRIOR MONTH	INC / DEC	MEMBERSHIP SUMMARY	CURRENT YTD AVG	PRIOR YTD AVG	VARIANCE
880,183	892,208	(12,025)	Total Membership	896,489	898,906	(2,417)
ACTUAL MONTH	BUDGET MONTH	\$ VARIANCE MONTH	FINANCIAL SUMMARY	ACTUAL YTD	BUDGET YTD	\$ VARIANCE YTD
597,564,630	641,192,914	(43,628,284)	Total Revenue	4,195,359,949	4,544,508,726	(349,148,777)
509,948,545	565,026,393	55,077,848	Total Healthcare Costs	3,544,988,810	3,904,270,875	359,282,065
26,108,033	33,734,328	7,626,295	Total Administrative Costs	177,580,014	216,161,161	38,581,147
65,351,788	66,436,868	1,085,080	Medi-Cal Managed Care Tax	458,452,470	466,469,224	8,016,754
(3,843,736)	(24,004,675)	20,160,939	Total Current Year Surplus (Deficit)	14,338,655	(42,392,534)	56,731,189

95.82%	98.31%	Medical Loss Ratio (HC Costs as a % of Rev, excluding Managed Care Tax)	94.86%	95.74%
4.91%	5.87%	Admin Ratio (Admin Costs as a % of Rev, excluding Managed Care Tax)	4.75%	5.30%

PARTNERSHIP HEALTHPLAN OF CALIFORNIA
Balance Sheet
As Of January 31, 2026

	<u>January 2026</u>	<u>December 2025</u>
ASSETS		
Current Assets		
Cash & Cash Equivalents	1,041,845,707	1,300,846,228
Receivables		
Accrued Interest	395,400	1,247,100
State DHS - Cap Rec	1,689,463,344	1,637,775,798
Other Healthcare Receivable	42,135,030	46,581,481
Miscellaneous Receivable	6,227,237	6,222,728
Total Receivables	1,738,221,011	1,691,827,107
Other Current Assets		
Payroll Clearing	7,271	(1,043)
Prepaid Expenses	14,904,828	19,002,526
Total Other Current Assets	14,912,099	19,001,483
Total Current Assets	2,794,978,817	3,011,674,818
Non-Current Assets		
Fixed Assets		
Motor Vehicles	1,096,330	1,096,330
Furniture & Fixtures	7,377,822	7,363,674
Computer Equipment	20,328,283	20,328,283
Computer Software	9,048,571	9,048,571
Leasehold Improvements	124,288	124,288
Land	11,330,439	11,330,439
Building	79,474,549	79,474,549
Building Improvements	40,418,839	40,418,839
Accum Depr - Motor Vehicles	(507,941)	(480,418)
Accum Depr - Furniture	(6,728,673)	(6,714,756)
Accum Depr - Comp Equipment	(18,751,680)	(18,638,511)
Accum Depr - Comp Software	(8,960,974)	(8,945,610)
Accum Depr - Leasehold Improvements	(124,288)	(124,288)
Accum Depr - Building	(15,398,870)	(15,229,052)
Accum Depr - Bldg Improvements	(17,632,886)	(17,428,479)
Construction Work-In-Progress	65,464,952	63,724,816
Total Fixed Assets	166,558,761	165,348,675
Other Non-Current Assets		
Deposits	-	11,607
Board-Designated Reserves	1,312,952,380	1,301,694,664
Knox-Keene Reserves	300,000	300,000
Prepaid - Other Non-Current	12,411,847	12,353,407
Net Pension Asset	5,714,523	5,714,523
Deferred Outflows Of Resources	2,745,009	2,745,009
Net Subscription Asset	3,120,175	3,120,175
Total Other Non-Current Assets	1,337,243,934	1,325,939,385
Total Non-Current Assets	1,503,802,695	1,491,288,060
Total Assets	4,298,781,512	4,502,962,878

PARTNERSHIP HEALTHPLAN OF CALIFORNIA
Balance Sheet
As Of January 31, 2026

LIABILITIES & FUND BALANCE	January 2026	December 2025
Liabilities		
Current Liabilities		
Accounts Payable	246,149,658	364,819,107
Unearned Income	56,352,383	56,650,849
Suspense Account	12,388,172	4,668,200
Capitation Payable	4,199,992	4,199,992
State DHS - Cap Payable	32,633,113	32,633,113
Accrued Healthcare Costs	1,622,533,749	1,756,246,750
Claims Payable	296,854,340	266,201,749
Incurred But Not Reported-IBNR	436,489,948	429,687,675
Quality Improvement Programs	109,955,666	102,787,216
Total Current Liabilities	2,817,557,021	3,017,894,651
Non-Current Liabilities		
Deferred Inflows Of Resources	6,657,637	6,657,637
Net Subscription Liability	2,677,984	2,677,984
Total Non-Current Liabilities	9,335,621	9,335,621
Total Liabilities	2,826,892,642	3,027,230,272
Fund Balance		
Unrestricted Fund Balance	(76,299,941)	(62,613,402)
Reserved Funds		
State Financial Performance Guarantee	1,221,224,000	1,208,212,000
Board Approved Capital and Infrastructure Purchases	92,028,380	93,782,664
Capital Assets	166,558,763	165,348,675
Strategic Use of Reserve-Board Approved	68,377,668	71,002,668
Total Reserved Funds	1,548,188,811	1,538,346,007
Total Fund Balance	1,471,888,870	1,475,732,606
Total Liabilities And Fund Balance	4,298,781,512	4,502,962,878

PARTNERSHIP HEALTHPLAN OF CALIFORNIA
Statement of Cash Flow
For The Period Ending January 31, 2026

	<u>Current Month Activity</u>	<u>Year-To-Date Activity</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received From:		
Capitation from California Department of Health Care Services	544,763,670	4,212,515,959
Other Revenues	220,848	1,824,631
Cash Payments to Providers for Medi-Cal Members		
Capitation Payments	(20,245,821)	(145,503,881)
Medical Claims Payments	(566,723,562)	(3,106,321,749)
Drug Medi-Cal		
DMC Receipts from Counties	1,336,349	46,915,217
DMC Payments to Providers	(5,946,801)	(37,084,362)
Cash Payments to Vendors	(197,137,441)	(625,551,758)
Cash Payments to Employees	(16,668,053)	(139,340,893)
Net Cash (Used) Provided by Operating Activities	<u>(260,400,811)</u>	<u>207,453,164</u>
CASH FLOWS FROM CAPITAL FINANCING & RELATED ACTIVITIES:		
Purchases of Capital Assets	3,440,568	(9,880,101)
Net Cash (Used) Provided	<u>3,440,568</u>	<u>(9,880,101)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Board-Designated Reserve Transfers	(11,257,716)	(128,151,102)
Interest and Dividends on Investments	9,217,438	54,814,810
Net Cash (Used) by Investing Activities	<u>(2,040,278)</u>	<u>(73,336,292)</u>
NET (DECREASE) INCREASE	(259,000,521)	124,236,771
CASH & CASH EQUIVALENTS, BEGINNING	<u>1,300,846,228</u>	<u>917,608,936</u>
CASH & CASH EQUIVALENTS, ENDING	<u>1,041,845,707</u>	<u>1,041,845,707</u>
RECONCILIATION OF TOTAL OPERATING LOSS TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		
TOTAL OPERATING LOSS	(12,209,474)	(39,908,053)
DEPRECIATION	544,197	4,116,089
CHANGES IN ASSETS AND LIABILITIES:		
Other Receivables	4,441,946	16,437,934
California Department of Health Services Receivable	(51,687,546)	65,446,211
Other Assets	(1,152,302)	(3,775,696)
Accounts Payable and Accrued Expenses	(244,960,946)	14,749,012
Accrued Claims Payable	37,454,864	120,041,870
Quality Improvement Programs	7,168,450	30,345,797
Net Cash (Used) Provided by Operating Activities	<u>(260,400,811)</u>	<u>207,453,164</u>

PARTNERSHIP HEALTHPLAN OF CALIFORNIA

**Statement of Revenues and Expenses
For The Period Ending January 31, 2026**

The Notes to the Financial Statement are an Integral Part of this Statement

ACTUAL MONTH	BUDGET MONTH	\$ VARIANCE MONTH	ACTUAL MONTH PMPM	BUDGET MONTH PMPM		ACTUAL YTD	BUDGET YTD	\$ VARIANCE YTD	ACTUAL YTD PMPM	BUDGET YTD PMPM
880,183	880,183	-			TOTAL MEMBERSHIP	6,275,426	6,275,426	-		
					REVENUE					
588,974,914	634,124,644	(45,149,730)	669.15	720.45	State Capitation Revenue	4,139,593,448	4,495,523,716	(355,930,268)	659.65	716.37
8,365,738	6,860,680	1,505,058	9.50	7.79	Interest Income	54,246,710	47,582,140	6,664,570	8.64	7.58
223,978	207,590	16,388	0.25	0.24	Other Revenue	1,519,791	1,402,870	116,921	0.24	0.22
597,564,630	641,192,914	(43,628,284)	678.91	728.48	TOTAL REVENUE	4,195,359,949	4,544,508,726	(349,148,777)	668.54	724.18
					HEALTHCARE COSTS					
					Physician Services					
8,522,127	9,598,261	1,076,134	9.68	10.90	Pcp Capitation	60,665,568	68,247,312	7,581,744	9.67	10.88
206,217	205,923	(294)	0.23	0.23	Specialty Capitation	1,492,627	1,471,791	(20,836)	0.24	0.23
92,321,754	86,932,590	(5,389,164)	104.89	98.77	Non-Capitated Physician Services	641,891,005	580,836,430	(61,054,575)	102.29	92.56
101,050,098	96,736,774	(4,313,324)	114.80	109.90	Total Physician Services	704,049,200	650,555,533	(53,493,667)	112.20	103.67
					Inpatient Hospital					
16,777,113	16,567,772	(209,341)	19.06	18.82	Hospital Capitation	119,494,299	118,129,452	(1,364,847)	19.04	18.82
108,178,761	120,914,634	12,735,873	122.90	137.37	Inpatient Hospital - Ffs	787,881,399	818,284,401	30,403,002	125.55	130.40
802,211	802,211	-	0.91	0.91	Hospital Stoploss	5,714,785	5,714,785	-	0.91	0.91
125,758,085	138,284,617	12,526,532	142.87	157.10	Total Inpatient Hospital	913,090,483	942,128,638	29,038,155	145.50	150.13
60,144,182	61,024,699	880,517	68.33	69.33	Long Term Care	439,287,533	433,936,597	(5,350,936)	70.00	69.15
					Ancillary Services					
1,149,517	1,329,772	180,255	1.31	1.51	Ancillary Services - Capitated	8,213,626	9,493,213	1,279,587	1.31	1.51
110,400,412	103,494,221	(6,906,191)	125.43	117.58	Ancillary Services - Non-Capitated	753,378,114	715,019,425	(38,358,689)	120.05	113.94
111,549,929	104,823,993	(6,725,936)	126.74	119.09	Total Ancillary Services	761,591,740	724,512,638	(37,079,102)	121.36	115.45
					Other Medical					
6,309,302	8,213,732	1,904,430	7.17	9.33	Quality Assurance	40,788,744	50,786,579	9,997,835	6.50	8.09
84,034,214	134,723,784	50,689,570	95.47	153.06	Healthcare Investment Funds	538,178,597	957,070,661	418,892,064	85.76	152.51
111,500	137,780	26,280	0.13	0.16	Advice Nurse	884,000	1,005,810	121,810	0.14	0.16
13,790,785	13,880,564	89,779	15.67	15.77	Transportation	95,954,683	93,110,589	(2,844,094)	15.29	14.84
104,245,801	156,955,860	52,710,059	118.44	178.32	Total Other Medical	675,806,024	1,101,973,639	426,167,615	107.69	175.60
7,200,450	7,200,450	-	8.18	8.18	Quality Improvement Programs	51,163,830	51,163,830	-	8.15	8.15
509,948,545	565,026,393	55,077,848	579.36	641.92	TOTAL HEALTHCARE COSTS	3,544,988,810	3,904,270,875	359,282,065	564.90	622.15
					ADMINISTRATIVE COSTS					
16,816,094	22,013,319	5,197,225	19.11	25.01	Employee	111,649,716	137,120,245	25,470,529	17.79	21.85
77,533	182,868	105,335	0.09	0.21	Travel And Meals	639,883	1,334,489	694,606	0.10	0.21
1,205,004	3,220,650	2,015,646	1.37	3.66	Occupancy	9,075,501	16,989,460	7,913,959	1.45	2.71
994,095	869,325	(124,770)	1.13	0.99	Operational	4,444,851	6,345,600	1,900,749	0.71	1.01
3,265,478	3,146,661	(118,817)	3.71	3.58	Professional Services	25,173,918	22,970,490	(2,203,428)	4.01	3.66
3,749,829	4,301,505	551,676	4.26	4.89	Computer And Data	26,596,145	31,400,877	4,804,732	4.24	5.00
26,108,033	33,734,328	7,626,295	29.67	38.34	TOTAL ADMINISTRATIVE COSTS	177,580,014	216,161,161	38,581,147	28.30	34.44
65,351,788	66,436,868	1,085,080	74.25	75.48	Medi-Cal Managed Care Tax	458,452,470	466,469,224	8,016,754	73.06	74.33
(3,843,736)	(24,004,675)	20,160,939	(4.37)	(27.26)	TOTAL CURRENT YEAR SURPLUS (DEFICIT)	14,338,655	(42,392,534)	56,731,189	2.28	(6.74)

PARTNERSHIP HEALTHPLAN OF CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

January 31, 2026

1. **ORGANIZATION**

The Partnership HealthPlan of California (the HealthPlan) was formed as a health insurance organization and is legally a subdivision of the State of California but is not part of any city, county or state government system. The HealthPlan has quasi-independent political jurisdiction to contract with the State for managing Medi-Cal beneficiaries who reside in various Northern California counties. The HealthPlan is a combined public and private effort engaged principally in providing a more cost-effective method of healthcare. The HealthPlan began serving Medi-Cal eligible persons in Solano County in May 1994. That was followed by additional Northern California counties in March 1998, March 2001, October 2009, two counties in July 2011, and eight counties in September 2013. Beginning July 2018 and in accordance with direction from the Department of Health Care Services (DHCS), the HealthPlan consolidated its reporting from these fourteen counties into two regions, which are in alignment with the two DHCS rating regions. Beginning January 2024, the HealthPlan expanded into ten additional counties, which comprise a third region.

As a public agency, the HealthPlan is exempt from state and federal income tax.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

ACCOUNTING POLICIES:

The accounting and reporting policies of the HealthPlan conform to Generally Accepted Accounting Principles and general practices within the healthcare industry.

PROPERTY AND EQUIPMENT:

Effective July 2015, property and equipment totaling \$10,000 or more are recorded at cost; this includes assets acquired through capital leases and improvements that significantly add to the productive capacity or extend the useful life of the asset. Costs of maintenance and repairs are expensed as incurred. Depreciation for financial reporting purposes is provided on a straight-line method over the estimated useful life of the asset. The costs of major remodeling and improvements are capitalized as building or leasehold improvements. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining term of the applicable lease or their estimated useful life. Building improvements are depreciated over their estimated useful life.

INVESTMENTS:

The HealthPlan investments can consist of U.S. Treasury Securities, Certificates of Deposits, Money Market and Mutual Funds, Government Pooled Funds, Agency Notes, Repurchase

PARTNERSHIP HEALTHPLAN OF CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

January 31, 2026

Agreements, Shares of Beneficial Interest and Commercial Paper and are carried at fair value.

RESERVED FUNDS:

As of January 2026, the HealthPlan has Total Reserved Funds of \$1.5 billion. This includes \$68.4 million of funds set aside for Board approved Strategic Use of Reserve (SUR) initiatives; this also includes funding for the Wellness & Recovery program. The total SUR amount represents the net amount remaining for all SUR projects that have been approved to date and is periodically adjusted as projects are completed. Reserved Funds also includes \$0.3 million of Knox-Keene Reserves.

RECLASSIFICATIONS:

Certain reclassifications of prior period balances have been made to conform with the current period presentations. Such reclassifications do not affect the total increase in net position or total current or noncurrent assets or liabilities.

3. STATE CAPITATION REVENUE

Medi-Cal capitation revenue is based on the monthly capitation rates, as provided for in the State contract, and the actual number of Medi-Cal eligible members. Capitation revenues are paid by the State on a monthly basis in arrears based on estimated membership. As such, capitation revenue includes an estimate for amounts receivable from or refundable to the State for projected changes in membership and trued up monthly through a State reconciliation process. These estimates are continually monitored and adjusted, as necessary, as experience develops or new information becomes known.

4. HEALTHCARE COST

The HealthPlan continues to develop completion factors to calculate estimated liability for claims Incurred But Not Reported. These factors are reviewed and adjusted as more historical data becomes available. Budgeted capitation revenues and healthcare costs are adjusted each month to reflect changes in enrollee counts.

5. QUALITY IMPROVEMENT PROGRAM

The HealthPlan maintains quality improvement contracts with acute care hospitals and primary care physicians. As of January 2026, the HealthPlan has accrued a Quality Improvement Program payout of \$110.0 million.

6. ESTIMATES

PARTNERSHIP HEALTHPLAN OF CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
January 31, 2026

Due to the nature of the operations of the HealthPlan, it is necessary to estimate amounts for financial statement presentation. Substantial overstatement or understatement of these estimates would have a significant impact on the statements. The items estimated through various methodologies are:

- Value of Claims Incurred But Not Reported
- Quality Incentive Payouts
- Earned Capitation Revenues
- Total Number of Members
- Retro Capitation Expense for Certain Providers

7. **COMMITMENTS AND CONTINGENCIES**

In the ordinary course of business, the HealthPlan is party to claims and legal actions by enrollees, providers, and others. After consulting with legal counsel, the HealthPlan's Management is of the opinion that any liability which may ultimately be incurred as a result of claims or legal actions will not have a material effect on the financial position or results of the operations of the HealthPlan.

8. **UNUSUAL OR INFREQUENT ITEMS REPORTED IN CURRENT MONTH'S FINANCIAL STATEMENTS**

None noted.

Partnership HealthPlan of California
Investment Schedule
January 31, 2026

Name of Investment	Investment Type	Yield to Maturity	Trade Date	Maturity Date	Call Date	Face Value	Purchase Price	Market Value	Credit Rating Agency	Credit Rating
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FUNDS HELD FOR INVESTMENT:

Highmark Money Market	Cash & Cash Equiv	NA	Various	NA	NA	NA	\$ 1,812,693	\$ 1,812,693	NA	NR
Certificate of Deposit for Knox Keene	Cash & Cash Equiv	0.0405	1/31/2025	1/30/2030	NA	\$ 300,000	\$ 300,000	\$ 300,000	NA	NR

FUNDS HELD FOR OPERATIONS:

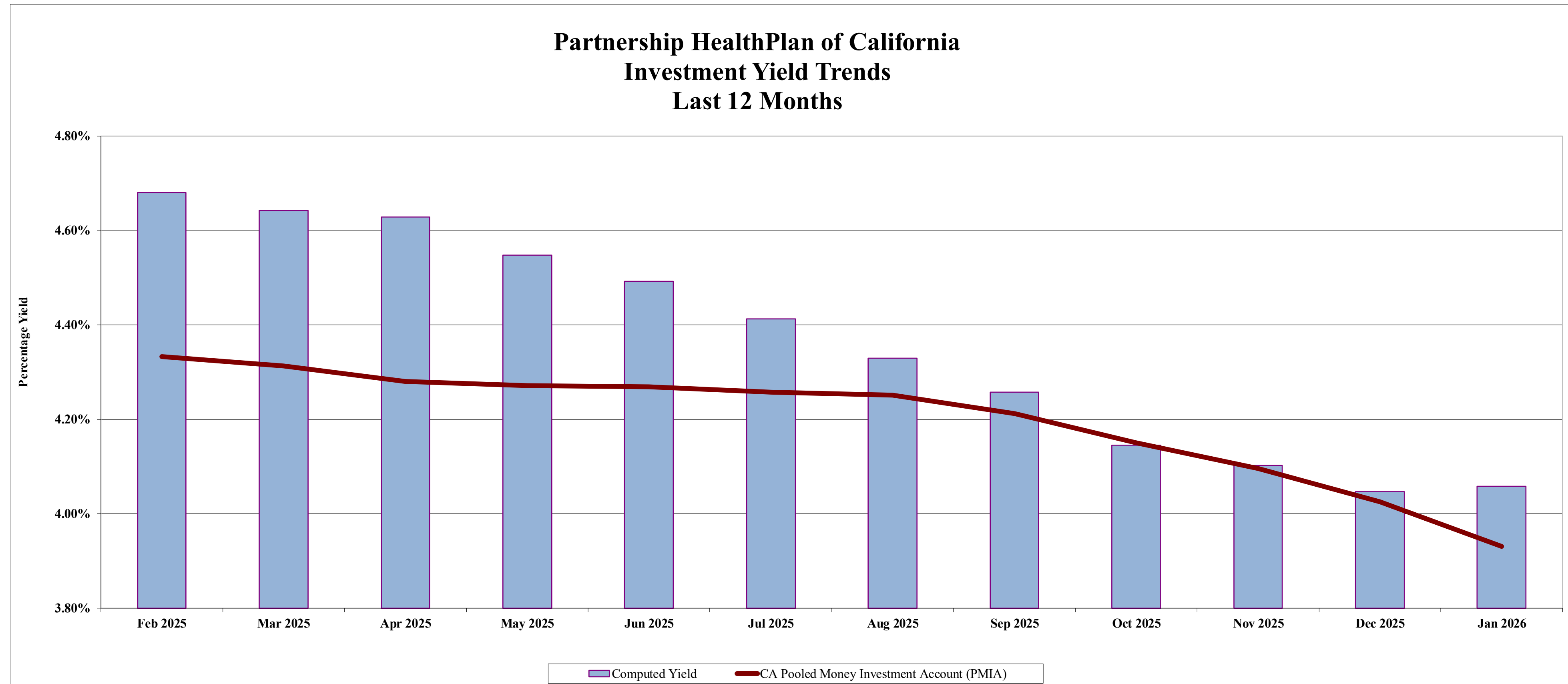
Merrill Lynch Institutional	Cash for Operations	NA	NA	NA	NA	NA	NA	\$ 80,628,201		
Merrill Lynch MMA - Checking	Cash for Operations	NA	NA	NA	NA	NA	NA	\$ 420,894		
US Bank - General, MMA, and Sweeps	Cash for Operations	NA	NA	NA	NA	NA	NA	\$ 2,150,618,162		
Government Investment Pools (LAIF)	Cash for Operations	NA	NA	NA	NA	NA	NA	\$ 75,000,000		
Government Investment Pools (County)	Cash for Operations	NA	NA	NA	NA	NA	NA	\$ 46,166,511		
West America Payroll	Cash for Operations	NA	NA	NA	NA	NA	NA	\$ 148,325		
Petty Cash	Cash for Operations	NA	NA	NA	NA	NA	NA	\$ 3,300		

GRAND TOTAL:

\$ 2,355,098,086

**Partnership HealthPlan of California
Investment Yield Trends**

PERIOD		Feb 2025	Mar 2025	Apr 2025	May 2025	Jun 2025	Jul 2025	Aug 2025	Sep 2025	Oct 2025	Nov 2025	Dec 2025	Jan 2026
Interest Income		7,079,412	8,765,710	8,403,962	7,671,506	7,390,920	7,568,557	7,456,341	7,941,176	8,116,523	6,918,278	7,880,097	8,365,738
Cash & Investments at Historical Cost	(1)	2,249,046,624	2,431,749,222	2,298,648,325	2,207,098,027	2,102,710,214	2,160,202,257	2,286,589,057	2,474,845,534	2,254,168,286	2,239,590,881	2,602,840,892	2,355,098,087
Computed Yield	(2)	4.68%	4.64%	4.63%	4.55%	4.49%	4.41%	4.33%	4.26%	4.15%	4.10%	4.05%	4.06%
CA Pooled Money Investment Account (PMIA)	(3)	4.33%	4.31%	4.28%	4.27%	4.27%	4.26%	4.25%	4.21%	4.15%	4.10%	4.03%	3.93%



NOTES:

- (1) Investment balances include Restricted Cash and Board Designated Reserves
- (2) Computed yield is calculated by dividing the past 12 months of interest by the average cash balance for the past 12 months.
- (3) LAIF limits the amount a single government entity can deposit into LAIF; currently that amount is set at \$75 million.

AGENDA REQUEST FOR RATIFICATION
for
PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Board / Finance Committee (when applicable)
Meeting Date: March 18, 2026

Agenda Item Number:
2.3

Board Meeting Date: April 22, 2026

Resolution Sponsor:
Jennifer Lopez, Partnership HealthPlan of CA

Approved by:
Partnership Staff

Topic Description:

Partnership's Annual Investment Policy, FIN-501, establishes the investment guidelines used for all operating funds and Board designated reserve funds for the Health Plan and requires edits.

Reason for Resolution:

To obtain approval for the recommended changes to Partnership's Annual Investment Policy.

Financial Impact:

There is no financial impact to the plan.

Requested Action of the Board:

Based on the recommendation of Partnership Staff, the Board is asked to approve Partnership's Annual Investment Policy.

REGULAR AGENDA REQUEST
for
PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Board / Finance Committee (when applicable)
Meeting Date: March 18, 2026
Board Meeting Date: April 22, 2026

Agenda Item Number:
2.3

Resolution Number:
26-

**IN THE MATTER OF: APPROVING PARTNERSHIP’S ANNUAL INVESTMENT POLICY,
FIN-501**

Recital: Whereas,

- A. The Board has fiduciary responsibility for the operation of the organization.
- B. The Board has responsibility to review and approve the HealthPlan policies and benefits.
- C. It is important to establish investment guidelines to ensure Partnership’s funds are prudently invested according to the Board of Commissioners’ objectives.

Now, Therefore, It Is Hereby Resolved As Follows:

- 1. To approve Partnership’s annual investment policy, FIN-501

PASSED, APPROVED, AND ADOPTED by the Partnership HealthPlan of California this 22nd of April 2026, by motion of Commissioner, seconded by Commissioner, and by the following votes:

AYES: Commissioners:

NOES: Commissioners:

ABSTAINED: Commissioners:

ABSENT: Commissioners:

EXCUSED: Commissioners:

Dean Germano, Chair

Date

ATTEST:

BY: _____

Ashlyn Scott, Clerk

**PARTNERSHIP HEALTHPLAN OF CALIFORNIA
POLICY/ PROCEDURE**

Policy/Procedure Number: <u>FIN - 501</u> (Previously FIN 700 501)		Lead Department: <u>Finance</u> Business Unit: <u>Accounting</u> ; Finance	
Policy/Procedure Title: <u>Annual Investment Policy May 1, 2010</u> Investment Policy		<input checked="" type="checkbox"/> External Policy _____ <input checked="" type="checkbox"/> Internal Policy	
Original Date: <u>05/01/2010</u>		Next Review Date: <u>02/01/2027</u> : 09/01/2022 Last Review Date: _____ <u>10/27/2021</u> ; 07/31/2021	
Applies to:	<input checked="" type="checkbox"/> Medi-Cal	Healthy Kids <input checked="" type="checkbox"/> Partnership Advantage	<input type="checkbox"/> Employees
Reviewing Entities:	<input type="checkbox"/> IQI	<input type="checkbox"/> P & T	<input type="checkbox"/> QUAC
	<input type="checkbox"/> OPERATIONS	<input type="checkbox"/> EXECUTIVE	<input type="checkbox"/> COMPLIANCE <input type="checkbox"/> DEPARTMENT
Approving Entities:	<input checked="" type="checkbox"/> BOARD	<input type="checkbox"/> COMPLIANCE	<input checked="" type="checkbox"/> FINANCE <input type="checkbox"/> PAC
	<input checked="" type="checkbox"/> CEO <input type="checkbox"/> COO	<input type="checkbox"/> CREDENTIALING	<input checked="" type="checkbox"/> DEPT. DIRECTOR/OFFICER
Approval Signature: <u>Name of approver</u>		Approval Date: <u>Enter as mm/dd/yyyy</u> ; 09/08/2021	

I. RELATED POLICIES:

- A. CMP-21 -- Conflict of Interest Code
- B. CMP-21 -- Conflict of Interest Code – Attachment A
- C. FIN-502 – Investment Procedures
- ~~C.D. FIN-503 – Leasing and~~ Rental Revenue Requirements

II. IMPACTED DEPTS:

- A. FINANCE

III. DEFINITIONS:

- A. See Attachment A -- Glossary

IV. ATTACHMENTS:

- A. ~~Table~~ Figure 1 – Allowable Investments Instruments per State Government Code (As of January 1, ~~2020~~ 2026) Applicable to All Local Agencies
- B. Table Figure 2 -- Comparison and Interpretation of Credit Ratings
- ~~B.C.~~ Attachment A – Glossary

V. PURPOSE:

Investment Policy sets forth the investment guidelines for all Operating Funds as required by California Government Code §53646.

VI. POLICY / PROCEDURE:

<u>Policy/Procedure Number:</u> FIN - 501		<u>Lead Department:</u> Business Unit: Accounting	
<u>Policy/Procedure Title:</u> Investment Policy		<input checked="" type="checkbox"/> <u>External Policy</u> <input checked="" type="checkbox"/> <u>Internal Policy</u>	
<u>Original Date:</u> 05/01/2010		<u>Next Review Date:</u> 023/001/2027 <u>Last Review Date:</u> 10/27/2021	
<u>Applies to:</u>	<input checked="" type="checkbox"/> <u>Medi-Cal</u>	<input checked="" type="checkbox"/> <u>Partnership Advantage</u>	<input type="checkbox"/> <u>Employees</u>

1.1 To establish the investment guidelines for all operating funds and Board designated reserve funds of Partnership HealthPlan of California (~~PHC~~)Partnership invested on and after May 1, 2010. The objective is to ensure ~~PHC's~~Partnership's funds are prudently invested according to the Board of Commissioners' objectives to preserve capital, provide necessary liquidity, and to achieve a market average rate of return through economic cycles.

2.0 Policy:

2.1 This Annual Investment Policy sets forth the investment guidelines for all Operating Funds, which conforms to California Government Code §53600 of Title 5. Local Agencies of the California Government Code (the Code), as well as to customary standards of prudent investment management. Any investment instruments not specifically approved in this policy will not be entered into without the prior consent of the Investment/Finance Committee and the Board of Commissioners of ~~PHC~~Partnership. Irrespective of these policy provisions, should the provisions of the Code become more restrictive than those contained herein, such provisions will be considered immediately, adhered to, and incorporated into the Annual Investment Policy.

2.2 Investment Objectives

In accordance with the regulations cited herein, ~~PHC's~~Partnership's primary annual investment objectives are in order of priority, as follows:

2.2.1 Safety and Preservation of Capital

Each investment transaction shall seek to ensure that the capital losses are avoided due to market erosion of security value and institutional default or broker-dealer default. ~~PHC~~Partnership shall seek to preserve capital by mitigating the two types of risk, Credit Risk and Market Risk, as follows:

2.2.1.1.1 Credit Risk will be mitigated through diversification of the investment portfolio.

2.2.1.1.2 Market Risk will be mitigated by matching Maturity dates to coincide, as much as possible, with ~~PHC's~~Partnership's cash flow requirements. It is explicitly recognized herein; however, that in a diversified portfolio, occasional capital losses are inevitable and must be considered within the context of the overall investment return.

2.2.2 Liquidity and Flexibility

The portfolio investments need to be comprised of investments for which there is a secondary market and which offer the flexibility to be sold at any time at prevailing market values with minimal risk of loss of principal and interest.

<u>Policy/Procedure Number:</u> FIN - 501		<u>Lead Department:</u> Business Unit: Accounting	
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<u>Original Date:</u> 05/01/2010		<u>Next Review Date:</u> 023/001/2027 <u>Last Review Date:</u> 10/27/2021	
<u>Applies to:</u>	<input checked="" type="checkbox"/> <u>Medi-Cal</u>	<input checked="" type="checkbox"/> <u>Partnership Advantage</u>	<input type="checkbox"/> <u>Employees</u>

2.2.3 Total Return

PHCPartnership's portfolio will be designed to achieve a market average rate of return similar to other authorized instruments and securities which have similar security, maturities and levels of risk.

2.3 Authority to Invest:

2.3.1 In accordance with authority granted by the Board of Commissioners, the Chief Financial Officer (CFO) of PHCPartnership is authorized to invest and manage the investment portfolio in accordance with this investment policy. All will be pooled in an actively managed portfolio. The Investment Pool or "Portfolio" will be referred to as the "Fund" throughout the remainder of this document.

2.3.2 The CFO may designate an Investment Manager(s) and/or subordinate, to manage all or such portions of PHC'sPartnership's funds as the CFO shall determine from time to time. Such Investment Manager(s) shall be subject to this policy and any directions provided by the CFO. The CFO will be responsible for all actions undertaken and shall establish a system on internal controls to regulate the activities of subordinate officials, including the Investment Manager(s). Additional information regarding Investment Manager(s) can be found in Paragraph 2.56.

2.3.3 No person may engage in an investments transaction except as provided herein and in the procedures established by the CFO and/or Board of Commissioners.

2.4 Prudence

2.4.1 PHC'sPartnership's Board of Commissioners, CFO, and persons authorized to make investment decisions on behalf of PHCPartnership are trustees and fiduciaries subject to the Prudent Investment Standards, as defined in Government Code §53600.3:

2.4.1.1 The "prudent person" standard specifies when investing, reinvesting, purchasing, acquiring, exchanging, and selling the CFO shall act with care, skill, prudence, and diligence under prevailing circumstances, including but not limited to, the general economic conditions and the anticipated needs of PHCPartnership, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims to safeguard the principal and maintain the liquidity needs of PHCPartnership. The Prudent Investment Standard shall be applied in the context of managing an overall portfolio.

<u>Policy/Procedure Number:</u> FIN - 501		<u>Lead Department:</u> Business Unit: Accounting	
<u>Policy/Procedure Title:</u> Investment Policy		<input checked="" type="checkbox"/> <u>External Policy</u> <input checked="" type="checkbox"/> <u>Internal Policy</u>	
<u>Original Date:</u> 05/01/2010		<u>Next Review Date:</u> 023/001/2027 <u>Last Review Date:</u> 10/27/2021	
<u>Applies to:</u>	<input checked="" type="checkbox"/> <u>Medi-Cal</u>	<input checked="" type="checkbox"/> <u>Partnership Advantage</u>	<input type="checkbox"/> <u>Employees</u>

2.4.1.2 The CFO acting in accordance with written procedures, and the Annual Investment Policy, and exercising due diligence, shall be relieved of personal responsibility for an individual security credit risk or market changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control developments. Additionally, the CFO shall act in accordance with written procedures, investment policy, and exercise due diligence to control adverse developments.

2.5 Ethics and Conflict ~~Of~~ Interest

2.5.1 ~~PHC's~~Partnership's officers and employees involved in the investment process or having authority or influence over such activities, shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

2.5.2 ~~PHC's~~Partnership's officers and employees involved in the investment process or having authority or influence over such activities, are not permitted to have any material financial interests in financial institutions that conduct business with ~~PHC~~Partnership, and they are not permitted to have any personal financial or investment holding that could be materially related to the performance of ~~PHC's~~Partnership's investments.

2.5.3 Partnership's officers and employees involved in the investment process or having authority or influence over such activities, will follow applicable compliance policies related to disclosure of potential conflicts to the extent the personal business activity or material financial interest is one capable of being known.

2.6 Investment Manager

2.6.1 The CFO, when cost beneficial, may designate an Investment Manager(s) to manage any portion of the investment portfolio. Any designated Investment Manager(s) shall be a fiduciary subject to the Prudent Investor Standard in Section 2.4.1.1 with respect to the funds under management.

2.6.2 The CFO will:

2.6.2.1 Evaluate candidates for the role of Investment Manager(s). The selected candidates will be reviewed and approved by the Chief Executive Officer (CEO), and Finance Committee and the Board of Commissioners.

PHC

<u>Policy/Procedure Number:</u> FIN - 501		<u>Lead Department:</u> Business Unit: Accounting	
<u>Policy/Procedure Title:</u> Investment Policy		<input checked="" type="checkbox"/> <u>External Policy</u> <input checked="" type="checkbox"/> <u>Internal Policy</u>	
<u>Original Date:</u> 05/01/2010		<u>Next Review Date:</u> 023/001/2027 <u>Last Review Date:</u> 10/27/2021	
<u>Applies to:</u>	<input checked="" type="checkbox"/> <u>Medi-Cal</u>	<input checked="" type="checkbox"/> <u>Partnership Advantage</u>	<input type="checkbox"/> <u>Employees</u>

- 2.6.2.2 Obtain certification from outside Investment Managers that they will purchase securities from broker-dealers (other than themselves) or financial institutions in compliance with Government Code Section 53601.5 and the Annual Investment Policy.
- 2.6.2.3 Provide all Investment Manager(s) with copy of Annual Investment Policy which will be included in the Investment Manager's contract.
- 2.6.2.4 Establish and review the targeted average maturities periodically with the Investment Manager(s).
- 2.6.2.5 Review the investment diversification and portfolio performance monthly to ensure that the Investment Manger's compliance with this policy, risk levels and returns are reasonable, and that investments are diversified in accordance with this policy.
- 2.6.2.6 Investigate any investment made by the Investment Manager(s) which is not authorized by this policy for possible cause for termination of contract.
- 2.6.2.7 Ensures that the investment advisor prepares monthly reports on its portfolio that include all required information for PHCPartnership to comply with its reporting requirement, and applicable State and Local laws and regulations.

3.0 Reporting (Government Code § 53646)

3.1 Quarterly Review

3.2 At a minimum, the CFO will or cause to, present a quarterly report with investments transaction information in adequate detail to allow the Finance Committee to review the investment activity of PHCPartnership.

3.2.3 The quarter report will be summarized and presented as a report from the Finance Committee to the full Board of Commissioners in accordance with Government Code §53646(b).

4.0 Performance Standards

4.1 The investment portfolio shall be managed in accordance with the parameters specified in this policy. Consequently, the investment portfolio shall be designed to achieve a market average rate of return through economic cycles similar to authorized investment instruments, which have similar security maturities and levels of risk.

4.2 The performance benchmarks for the investment portfolio will be based upon the market indices for short term investments of comparable risk and

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<u>Original Date:</u> 05/01/2010		<u>Next Review Date:</u> 023/001/2027 <u>Last Review Date:</u> 1027/2021	
<u>Applies to:</u>	<input checked="" type="checkbox"/> <u>Medi-Cal</u>	<input checked="" type="checkbox"/> <u>Partnership Advantage</u>	<input type="checkbox"/> <u>Employees</u>

duration. These performance benchmarks will be agreed to by the CFO, and the Investment Manager(s), and the relative performance of the investment portfolio will be reviewed with the Finance Committee, quarterly.

- 4.3 For planning purposes, we expect the Fund to return a money market rate of return. For comparison purposes, the one (1) to three (3) year treasury index and the state pool (LAIF) will be used.

5.0 Monitoring

5.1 Chief Financial Officer (CFO)

The CFO and staff are responsible for the day-to-day management of PHC's Partnership's portfolio and the making of specific investments that comply with this policy.

5.2 Board of Commissioners

5.2.1 The CFO is responsible for providing the Board of Commissioners with an Annual Investment Policy, and the Board of Commissioners is responsible for adopting the Annual Investment Policy and ensuring investments are made in compliance with the ~~FIN-700~~-501, Annual Investment Policy. This Annual Investment Policy shall be reviewed and approved annually by the Board of Commissioners at a public meeting pursuant to Section 53646(a)(2) of the California Government Code.

5.2.2 The CFO is responsible for directing PHC's Partnership's investment program and for compliance with this policy pursuant to the delegation of authority to invest funds or to sell or exchange securities. The CFO shall provide a quarterly report to the Board of Commissioners. The CFO shall also provide the Board of Commissioners with a quarterly report of investment transactions.

5.3 Finance Committee

5.3.1 The duties and responsibilities of the Finance Committee shall consist of the following:

5.3.2 Review of the Annual Investment Policy annually before its consideration by the Board of Commissioners and recommend revisions.

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- 5.3.3 Review PHC'sPartnership's investment portfolio quarterly to confirm compliance with the Annual Investment Policy, including its diversification and maturity guidelines.
- 5.3.4 Provide comments to the CFO regarding potential investments and potential investment strategies.
- 5.3.5 Periodically review investment security diversification and investment strategies with Investment Manager(s).
- 5.3.6 Perform such additional duties and responsibilities as may be required from time to time by specific action and direction of the Board of Commissioners.

5.4 Audit

Investment transactions of PHCPartnership may be reviewed during the annual audit performed by the public accounting firm selected by the Finance Committee, and approved by the Board of Commissioners. The results of the audit of the investment transactions shall be presented in a report prepared by the auditors to the Finance Committee and the Board of Commissioners for their review, acceptance, and action as the Board of Commissioners deems necessary. A full audit of the investment of PHCPartnership may be requested by the Finance Committee or Board of Commissioners at any time.

6.0 Safekeeping of Securities

Investments purchased shall be held by a custodian bank acting as agent for PHCPartnership, and such custody agreement shall be in compliance with Government Code §53601 and §53608.

7.0 Authorized Investments

PHCPartnership has a fiduciary responsibility to maximize the productive use of assets entrusted to its care and to invest and manage those funds wisely and prudently. PHCPartnership operates its pooled idle cash to afford a broad spectrum of investment opportunities that are deemed prudent, and are legally allowable under the Code and other regulations. Additionally, PHCPartnership recognizes that it has an equal obligation to be aware of the social and political impacts of its investments, and subsequently, to act responsibly in making its financial decisions. PHCPartnership shall not knowingly, make any investments in any institution, company, corporation, subsidiary or affiliate that practices or supports directly or indirectly through its actions discrimination on the basis of race, religion, color, creed, national or ethnic origin, age, sex, sexual preference, or physical disability.

Policy/Procedure Number: FIN - 501		Lead Department: Business Unit: Accounting	
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As stated above, ~~PHC~~Partnership is governed by the Code §53600-53609. Within the context of these limitations, the following investments are authorized, as further limited herein. ~~TableFigure 1~~ summarizes the allowable Investment instruments per California State Code. ~~TableFigure 2~~ illustrates comparison and interpretation of credit ratings. Attachment A is a Glossary of common investment terms.

7.1 Maturity and Terms

All investments are subject to a maximum five (5) year Maturity or Term.

8.0 Eligible Investments

~~PHC's~~Partnership's policy is to invest in the high-quality instruments as permitted by the Government Code, subject to the limitations of the Annual Investment Policy.

8.1 United States Treasuries (Government Code §53601(b))

These investments are direct obligations of the US and securities which are fully and unconditionally guaranteed as to the timely payment of principal and interest by the full faith of the US.

<i>Types of US Treasuries</i>	<i>Description</i>
Treasury Bills	Short-term obligations that mature in 3- months, 6 months, and one year securities and traded at a discount. one year or less and are sold at a discount..
Treasury Notes and Bonds	Interest bearing instruments issued with maturities of 2 to 5 years -Notes are obligations that mature between one year and ten years. Bonds are long-term obligations that generally mature in ten years or more.
Treasury STRIPS	US Treasury securities that have been separated into their component parts of principal and interest payments and recorded as such in the Federal Reserve book-entry record keeping system.
Treasury coupon and principal STRIPS	These are not to be considered to be derivatives for the purpose of the Annual Investment Policy and are permitted investments.

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<u>Original Date:</u> 05/01/2010		<u>Next Review Date:</u> 023/001/2027 <u>Last Review Date:</u> 10/27/2021	
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8.1.1 Maximum Term/Restrictions: Code specifies five (5) years and there is no limitation as to the percentage of the fund which can be invested.

8.2 Federal Agencies and U.S. Sponsored Enterprises (Government Code § 53601(f))

These are U.S. Government related organizations, the largest of which are intermediaries assisting credit markets, are often simply referred to as “agencies”. Any Federal Agency and U.S. Government Sponsored Enterprise security not specifically listed below, is not a permitted investment interment:

<i>“Agencies” are limited to:</i>	
Federal Agriculture Mortgage Association	FAMC
Federal Home Loan Banks	FHLB
Federal Home Loan Mortgage Corporation	FHLMC
Federal National Mortgage Association	FNMA
Federal Farm Credit Banks	FFCB
Student Loan Marketing Association	SLMA
Government National Mortgage Association	GNMA
Small Business Administration	SBA
Export-Import Bank of the United States	Ex-Im Bank
U.S. Maritime Administration	MARAD
U.S. Department of Housing and Urban Housing	HUD

8.2.1 Maximum Term: 5 years and

8.2.2 Restrictions: Despite the implied government guarantee, Agencies that are not direct obligations of the U.S. Government will be limited to 50 percent of the portfolio in aggregate and no more than 25 percent of the portfolio may be in any one Agency. Investments of inverse floaters, range notes, interest-only strips derived from mortgage pools, and securities that could result in zero- interest accrual if held to maturity are prohibited.

8.3 State of California and Local Agency Obligations (Government Code § 53601(a) (c) (e))

8.3.1 Such obligations must be rated A-1, P-1, or equivalent or better short term; or Aa3/AA-, or equivalent or better long term, by an Approved NRSRO. Public agency bonds issued for private purposes (industrial development bonds) are specifically excluded as permitted investments.

<u>Policy/Procedure Number:</u> FIN - 501		<u>Lead Department:</u> Business Unit: Accounting	
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<u>Original Date:</u> 05/01/2010		<u>Next Review Date:</u> 023/001/2027 <u>Last Review Date:</u> 10/27/2021	
<u>Applies to:</u>	<input checked="" type="checkbox"/> <u>Medi-Cal</u>	<input checked="" type="checkbox"/> <u>Partnership Advantage</u>	<input type="checkbox"/> <u>Employees</u>

8.3.2 Maximum Term: Five (5) Years

8.4 Other States' Obligations (Government Code § 53601(d)(g))

8.4.1 Other State's obligations are permitted provided that:

8.4.1.1 Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California. However, ownership of out of state local agency bonds is not allowed.

8.4.1.2 Such obligations must be rated A-1, P-1, or equivalent or better short term; or AA/Aa2, or equivalent or better long term, by an approved NRSRO.

8.5 Banker Acceptances (BA) (Government Code § 53601(g))

8.5.1 These short-term notes are sold at a discount, and are obligations of the drawer (the bank's trade finance client), as well as the bank. Once accepted, the bank is irrevocably obligated to pay the BA upon maturity if the drawer does not.

8.5.2 Eligible Bankers' Acceptance are Bankers' Acceptances that are eligible for purchase by the Federal Reserve, and;

8.5.3 Drawn on and accepted by a bank rated F1 or better by Fitch, or are rated A-1 for short-term deposits by Standard and Poor's or P-1 for short-term deposits by Moody's (a rating matrix is found at [attachment B in Figure 2](#)).

8.5.4 Maximum Term: 180 days.

8.5.5 Restrictions: No more than 5 percent of ~~PHC's~~Partnership's Portfolio be invested in banker's acceptances issued by any one bank.

8.5.6 No more than 40 percent of the portfolio may be in banker's acceptances.

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<u>Applies to:</u>	<input checked="" type="checkbox"/> <u>Medi-Cal</u>	<input checked="" type="checkbox"/> <u>Partnership Advantage</u>	<input type="checkbox"/> <u>Employees</u>

8.6 Commercial Paper (CP): Non-Pooled Funds (Government Code § 53601(h)(2)(e))

8.6.1 CP is unsecured promissory notes issued by companies and government entities at a discount. CP is negotiable, although it is typically held to maturity.

8.6.2 CP must be:

8.6.2.1 Rated A-1 or better by an Approved NRSRO.

8.6.2.2 Issued by corporations rated A-3 or better, or equivalent, or higher by an Approved NRSRO on longer term debt, if any, and;

8.6.2.3 Issued by U.S. corporations organized or non-U.S. Corporation organized and operating within the U.S. and having assets in excess of \$500 million.

8.6.2.4 Asset backed Commercial Paper issued by special purpose vehicles (structure investments vehicles) are prohibited.

8.6.2.5 ~~PHC's~~Partnership's investment funds may not be used to purchase more than 10 percent of the outstanding paper issued by any single issuing corporation.

8.6.2.6 Maximum Term: ~~270~~397 days

~~8.0.1.1 Restrictions: Total investments in commercial paper may not exceed 25 percent of the portfolio (AB 609 7/13/01).~~

~~8.6.2.7 Restrictions: Less than one hundred million dollars (\$100,000,000) of investment assets under management, may invest no more than 25 percent of their moneysportfolio in eligible commercial paper. Those that have one hundred million dollars (\$100,000,000) or more of investment assets under management may invest no more than 40 percent of their moneysportfolio in eligible commercial paper.~~

8.7 Negotiable Certificates of Deposits (CD) (Government Code § 53601(i))

8.7.1 A negotiable (marketable or transferable) receipt for a time deposit at a bank or financial institution for a fixed time and interest rate. Negotiable Certificates of Deposits must be issued by a nationally or state chartered bank or state or federal association or by a state licensed branch of a foreign bank, which have been rated as F1 or better by Fitch, or rated as A-1 for short

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<u>Original Date:</u> 05/01/2010		<u>Next Review Date:</u> 023/001/2027 <u>Last Review Date:</u> 10/27/2021	
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term-deposits by Standard & Poor's, or P-1 for short-term deposits Moody's or are comparably rated by a nationally recognized agency.

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8.7.2 Maximum Term: five (5) years

8.7.3 Restrictions: Eligible banks must also have no long term ratings below A or equivalent. No more than 5 percent of the fund may be invested in CDs of one issuer and no more than 30 percent of the portfolio may be invested in CDs.

8.7.4 Except, **PHCPartnership** may not invest in a CD of a state or federal credit union, where any person with investment decision making authority at **PHCPartnership** also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.

8.8 Non-Negotiable Certificates of Deposit (CD) (Government Code § 53601.8 & 53635.8)

8.8.1 Investment funds managed by an external investment Manager may not invest in Non-Negotiable Certificates of Deposits.

8.8.2 **PHCPartnership** must choose a nationally or state charter commercial bank, savings & loan association, or credit union in this state to invest funds, which shall be known as the “Selected” depository institution.

8.8.3 The selected depository institution may submit the funds to a private sector entity that assists in the placement of certificates of deposit with one or more commercial banks, savings banks, savings and loan associations, or credit unions that are located in the United States, for the local agency's account.

8.8.4 The full amount of the principal and the interest that may be accrued during the maximum term of each certificate of deposit shall at all times be insured by the Federal Deposit Insurance Corporation or National Credit Union Administration.

8.8.5 Maximum Term: Five (5) years

8.9 Repurchase Agreements (Government Code § 53601(j))

8.9.1 Repurchase Agreements cover a purchase of securities under a simultaneously agreement to sell these securities back at a fixed price in the future, are permitted provided that:

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8.9.1.1 ~~PHC~~Partnership may enter into Repurchase Agreements with banks and dealers that:

~~8.9.1.1~~8.9.1.2 A broker dealer master Repurchase Agreement must be signed by the Investment Manager (acting as “Agent”) and approved by the Investment Professional prior to entering into any repurchase transactions.

~~8.9.1.2~~8.9.1.3 The securities used to make the reverse repurchase have been held for a minimum of thirty (30) days prior to the transaction

~~8.9.1.3~~8.9.1.4 The securities are held free and clear of any lien by PHC’sPartnership’s Custodian or Agent for the Custodian, and such third party is a:

~~8.9.1.3~~8.9.1.4.1 Federal Reserve Bank, or

~~8.9.1.3~~8.9.1.4.2 A bank which is a member of the Federal Deposit Insurance Corporation (FDIC) and which has a combined capital surplus and undivided profits of not less than \$50 million.

8.9.2 A perfected first security interest under the uniform code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq., or C.F.R. 350.0 et seq. in such securities is created for the benefit of PHC’sPartnership’s Custodian.

8.9.3 The repurchase positions must be collateralized at 102 percent for Treasuries, Agencies, and eligible money market instruments; and Corporates and other eligible collateral will be collateralized at 105 percent. Securities held as collateral for Repurchase Agreements can only be those marketable securities, eligible for investment by PHCPartnership are permitted.

8.9.4 Repurchase Agreements will be conducted with only primary dealers.

8.9.5 Maximum Term: Repurchase Agreements shall not exceed ~~90~~ 90 days; ~~however, the code authorizes one year when all requirements are met.~~

8.9.6 Restrictions: Reverse Repurchase Agreements are not allowed.

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8.10 Medium-Term Maturity Corporate Securities (Government code § 53601(k))

8.10.1 Medium-Term Maturity Corporate Securities, are corporate and depository institution debt securities with a maximum remaining maturity of five years (5) or less. Medium Term Maturity Corporate Securities must:

8.10.1.1 Be issued by corporations organized and operating within the U.S. or any state or by depository institutions licensed by the U.S. or any state operating within the U.S. that have total assets in excess of \$500 million.

8.10.1.2 Have a rating of A or better by an approved NRSROs with a maturity of five (5) years or less.

8.10.2 Represent no more than 5 percent of the issue amount in the case of a specific public offering. This limitation does not apply to debt that is “continuously offered” in a mode similar to Commercial Paper. (i.e., Medium- Term Notes (MTN’s)), and;

8.10.3 Represent no more than 5 percent of the portfolio for either MTNs or any corporate security of any one corporate issuer.

8.10.4 Maximum Term: Maturity a maximum of five (5) years.

8.10.5 No more than 30 percent of the fund may be invested in Medium-Term Notes or other Corporates.

8.11 Money Market and Mutual Funds (Government Code § 53601(4) and 53601(n))

8.11.1 Investments in shares of beneficial interest issued by diversified management companies (Money Market Funds or Mutual Funds) must be with a company that:

8.11.1.1 Attain the highest ranking or the highest letter and numerical rating provided, by not less than two of the three largest nationally recognized rating services, or have an investment adviser registered with the Securities and Exchange Commission (SEC) with not less than five (5) years of experience investing in the securities and obligations as authorized above, and with assets under

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management in excess of \$500 million.

8.11.2 If unrated, all funds must be invested 100 percent in government securities or securities backed by government collateral.

8.11.3 The price of shares of beneficial interest (mutual funds) shall not include any commission that these companies may charge at the time of purchase or redemption.

8.11.4 Restrictions: No more than 20 percent of the portfolio may be invested in mutual funds.

8.11.4.1 No more than 10 percent invested in any one mutual fund. However, Money Market Funds are not subject to a maximum investment limitation per fund.

8.12 Mortgage or Asset-Backed Securities (ABS) (Government Code § 53601(o))

8.12.1 These securities may contain a third-party guarantee, they are a package of assets being sold by a trust, not a debt obligation of the sponsor. Other types of “backed” debt instruments have assets (such as leases or consumer receivables) pledged to support the debt service. However, Mortgage Backed Securities primarily backed by sub-prime collateral are not allowed.

8.12.2 Investments in any Mortgage Pass-through securities, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-back certificate, consumer-receivable pass-through certificate, or consumer-receivable-backed bond must be:

8.12.2.1 Rated AA, or its equivalent or better by an Approved NRSRO, and

8.12.2.2 Issued by an issuer rated A- or equivalent or better, by an approved NRSRO for its long term debt.

8.12.3 Maximum Term/Restrictions: Five (5) year maturity or less.

8.12.3.1 Partnership will continue to buy only AAA-rated ABS. Total investment in this category may not exceed 20 percent of the ~~fund~~agency's surplus money.

PHC

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8.13 Pooled Funds (Government Code § 27133, 53601(p), 16429.1, 16340)

8.13.1 Investments are permitted in Government Pooled Funds including, but not limited to, County Pooled Investment Funds, Joint Powers Authority Pools, the Local Agency Investment Fund, and the Voluntary Investment Program Fund.

~~8.13.2~~ 8.13.2 A Joint Powers Authority Pool must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five (5) years of experience investing in instruments authorized by Government Code Sections 53601(a) to (o).

~~8.13.28.13.3~~ 8.13.28.13.3 Any investments in the Voluntary Investment Program Fund must be between \$200 million and \$10 billion and must be approved by the Board of Commissioners.

~~8.13.38.13.4~~ 8.13.38.13.4 For any investments in the Local Agency Investment Fund or County Pooled Investment Fund, the CFO may provide to the Board of Commissioners, and the auditor, the most recent statement or statements received from those institutions, in lieu of the information otherwise required to be provided in the quarterly reports pursuant to Paragraph 5.2.2.

~~8.13.48.13.5~~ 8.13.48.13.5 Maximum Term: Five (5) years

8.14 Insured passbook savings account demand deposits in commercial banks and savings and loan companies.

8.14.1 Maximum Term/Restrictions: The deposit shall not exceed the total net worth of any depository savings association or federal association, except that deposits not exceeding a total of \$500,000 may be made to a savings association or federal association without regard to the net worth of that depository, such deposits are insured or secured by law.

8.15 Supranational Obligations (Government Code § 53601(q))

8.15.1 Certain supranational obligations are permitted, provided that the obligations are:

8.15.1.1 U.S. Dollars denominated,

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8.15.1.2 Senior Obligations,

8.15.1.3 Issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank,

8.15.1.4 Eligible for purchase and sale within the United States, and

8.15.1.5 Rated AA or equivalent or better by an Approved NRSRO.

8.15.1.58.15.1.6 No more than 30 percent of the portfolio may be invested in Supranational Obligations.

8.15.2 Maximum Term: Five (5) years or less

8.16 Securities Lending

8.16.1 Securities lending is allowed but are subject to the conditions and restrictions in the California Government Code Sections 53601(j) and 53601(l).

8.17 Derivatives

8.17.1 Investments in derivative securities are not allowed, except as permitted by this Annual Investment Policy, including but not limited to, US Treasury STRIPS as discussed in Section 8.1.

8.18 Investments Restrictions and Prohibited Transactions.

8.18.1 Any investment not authorized by the Codes §53601 and §53635 are prohibited, including but not limited to, common stocks, derivatives such as inverse floaters, mismatched floaters, yield curve notes and other securities that magnify interest rate risk, are expressly prohibited. Additionally, Corporates including Medium-Term Notes (MTN) rated A, may not be purchased if they are currently on the downgrade list at either Moody's or S&P or Commercial Paper of issuers with long term ratings of single A, may not be purchased if the issuer is currently on the downgrade list of either S&P or Moody's. Also, private placements are not acceptable investments.

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8.19 Diversification Guidelines

8.19.1 Investment Security Diversification at the time of purchase:

<i>Type of Security</i>	<i>Maximum Portfolio %</i>
Treasuries, including STRIPS	100%
Federal Agencies, and US Government Enterprises	100%
State Obligations (CA and others) and CA Local <u>Obligations</u>	25%
Bankers Acceptances	40% <u>40%</u>
Commercial Paper	25 <u>40%</u>
Negotiable Certificates of Deposit	30%
Non-Negotiable Certificates of Deposit	100%
Placement Service Deposits	30%
Repurchase Agreements	100%
Medium Term Maturity Corporate Securities	30%
Money Market Funds and Mutual Funds Combined	20%
Mortgage and Asset Backed Securities	20%
Variable and Floating Rate Securities	0%*
Government Pooled Funds	100%
Certain Supranational Obligations	30%

* Maximum holding percentage is based on underlying security type limits listed

8.19.2 Issuer / Counterparty Diversification Guidelines:

<i>Issuer / Counterparty</i>	<i>Maximum Portfolio %</i>
Any one Federal Agency or Government Sponsored Enterprise	100%
Any one Repurchase Agreement counterparty name:	
_____ If Maturity / Term is less than or equal to 7 days	50%
_____ If Maturity / Term is greater than 7 days	25%

8.19.3 For all other securities described under Authorized Investments that are permitted investments, no more than 2 percent of **PHC's Partnership's** funds may be invested with any one company, corporation, bank, local agency, or other investment vehicle, unless otherwise stated.

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8.20 Leverage

8.20.1 The investment portfolio, or investment portfolios managed by an Investment Manager cannot be used as collateral to obtain additional investment funds.

9.0 Underlying Nature of Investments

9.1 ~~PHC~~Partnership and its Investment Manager(s) shall not make investments in organizations which have a line business that is visibly in conflict with public health or the mission of ~~PHC~~Partnership.

9.2 ~~PHC~~Partnership and its Investment Manager(s) shall not make investments in Negotiable Certificates of Deposit of a state or federal credit union, if a member of its Board or Executive Officers also serves on the Board of Commissioners of that credit union.

9.4 ~~PHC~~Partnership will provide the Investment Manager(s) with a list of corporations that do not comply with the Annual Investment Policy and shall notify its Investment Manager(s) of any changes.

9.5 Investment Manager(s) will not enter into any investments with any institutions with which the Investment Manager is affiliated.

10.0 Rating Downgrades

10.1 ~~PHC~~Partnership may from time to time be invested in a security whose rating is downgraded below the quality permitted in this Annual Investment Policy.

10.2 Any security held as an investment whose rating falls below the investment guidelines or whose rating is put on notice for possible downgrade, shall be immediately reviewed for action. The decision to retain the security until maturity, sell or put the security, or other action shall be approved by the CFO.

11.0 Rating Guidelines

11.1 A security must be rated by one or more of the following Approved NRSROs: 1) Standard and Poor's 2) Moody's, or 3) Fitch Ratings. Unless specifically stated otherwise for a specific asset class, if a security is rated at different rating levels by two or more Approved NRSRO's, the highest rating will apply.

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11.2 All investments must adhere to rating requirements out lined under the sections authorizing their purchase under section 2.3.

11.3 Notwithstanding Section 8.13, PHCPartnership may invest in Government Pooled funds that invest only in high grade securities or obligations.

VII. REFERENCES:

- A. Government Code of Regulations (CCR), §§53600-53609 and 53646
- B. Local Agency Investment Guidelines: Update for 2020Updated as of January 2026, produced by the California Debt and Investment Advisory Commission (CDIAC) (TableFigure 1, Glossary)

VIII. DISTRIBUTION:

- A. SharePoint
- B. Executive Team

IX. POSITION RESPONSIBLE FOR IMPLEMENTING PROCEDURE: CFO

X. REVISION DATES:

02/08/2015
10/27/2021
02/10/2026

PREVIOUSLY APPLIED

TO: N/A

**ALLOWABLE INVESTMENT INSTRUMENTS PER STATE GOVERNMENT CODE (AS OF JANUARY 1, 2026)^A
APPLICABLE TO ALL LOCAL AGENCIES^{B 1}**

See “Table of Notes for Figure 1” on the next page for footnotes related to this figure.

INVESTMENT TYPE	MAXIMUM REMAINING MATURITY ^C	MAXIMUM SPECIFIED % OF PORTFOLIO ^D	MINIMUM QUALITY REQUIREMENTS	GOVERNMENT CODE SECTIONS
Local Agency Bonds	5 years	None	None	53601(a)
U.S. Treasury Obligations	5 years	None	None	53601(b)
State Obligations: CA and Others	5 years	None	None	53601(d)
CA Local Agency Obligations	5 years	None	None	53601(e)
U.S. Agency Obligations	5 years	None	None	53601(f)
Bankers’ Acceptances	180 days	40% ^E	None	53601(g)
Commercial Paper: Non-pooled Funds ^F (Under \$100,000,000 of investments)	397270 days or less	25% of the agency’s money ^G	Highest letter and number rating by an NRSRO ^H	53601(h)(2)(C)
Commercial Paper: Non-Pooled Funds (min. \$100,000,000 of investments)	397270 days or less	40% of the agency’s money	Highest letter and number rating by an NRSRO	53601(h)(2)(c)
Commercial Paper: Pooled Funds ^I	397270 days or less	40% of the agency’s money ^G	Highest letter and number rating by an NRSRO ^H	53635(a)(1)
Negotiable Certificates of Deposit	5 years	30% ^J	None	53601(i)
Non-negotiable Certificates of Deposit	5 years	None	None	53630 et seq.
Placement Service Deposits	5 years	50% ^K	None	53601.8 and 53635.8
Placement Service Certificates of Deposit	5 years	50% ^K	None	53601.8 and 53635.8
Repurchase Agreements	1 year	None	None	53601(j)
Reverse Repurchase Agreements and Securities Lending Agreements	92 days ^L	20% of the base value of the portfolio	None ^M	53601(j)
Medium-term Notes ^N	5 years or less	30%	“A” rating category or its equivalent or better	53601(k)
Mutual Funds and Money Market Mutual Funds	N/A	20% ^O	Multiple ^{P,Q}	53601(l) and 53601.6(b)
Collateralized Bank Deposits ^R	5 years	None	None	53630 et seq. and 53601(n)
Mortgage Pass-through and Asset Backed Securities	5 years or less	20%	“AA” rating category or its equivalent or better	53601(o)
County Pooled Investment Funds	N/A	None	None	27133
Joint Powers Authority Pool	N/A	None	Multiple ^S	53601(p)
Local Agency Investment Fund (LAIF)	N/A	None	None	16429.1
Voluntary Investment Program Fund ^T	N/A	None	None	16340
Supranational Obligations ^U	5 years or less	30%	“AA” rating category or its equivalent or better	53601(q)
Public Bank Obligations	5 years	None	None	53601(r), 53635(c) and 57603

¹ Local Agency Investment Guidelines: Update for 2021, produced by the California Debt and

FIGURE 1

TABLE OF NOTES FOR FIGURE 1

- ^A Sources: Sections 16340, 16429.1, 27133, 53601, 53601.6, 53601.8, 53630 et seq., 53635, 53635.8, and 57603.
- ^B Municipal Utilities Districts have the authority under the Public Utilities Code Section 12871 to invest in certain securities not addressed here.
- ^C Section 53601 provides that the maximum term of any investment authorized under this section, unless otherwise stated, is five years from the settlement date. However, the legislative body may grant express authority to make investments either specifically or as a part of an investment program approved by the legislative body that exceeds this five year remaining maturity limit. Such approval must be issued no less than three months prior to the purchase of any security exceeding the five-year maturity limit.
- ^D Percentages apply to all portfolio investments regardless of source of funds. For instance, cash from a reverse repurchase agreement would be subject to the restrictions.
- ^E No more than 30% of the agency's money may be in bankers' acceptances of any one commercial bank.
- ^F Applies to local agencies, other than counties or a city and county, with less than \$100 million of investment assets under management. Includes agencies defined as a city, a district, or other local agency that do not pool money in deposits or investment with other local agencies, other than local agencies that have the same governing body.
- ^G Local agencies, other than counties or a city and county, may purchase no more than 10% of the outstanding commercial paper and medium-term notes of any single issuer.
- ^H Issuing corporation must be organized and operating within the U.S., have assets in excess of \$500 million, and debt other than commercial paper must be in a rating category of "A" or its equivalent or higher by a nationally recognized statistical rating organization, or the issuing corporation must be organized within the U.S. as a special purpose corporation, trust, or LLC, have program wide credit enhancements, and have commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical rating organization.
- ^I Applies to counties or a city and county, and the City of Los Angeles that have \$100 million or more of investment assets under management.
- ^J Includes agencies defined as a county, a city and county, or other local agency that pools money in deposits or investments with other local agencies, including local agencies that have the same governing body. Local agencies that pool exclusively with other local agencies that have the same governing body must adhere to the limits set forth in Section 53601 (h)(2)(C).
- ^K No more than 30% of the agency's money may be in negotiable certificates of deposit that are authorized under Section 53601 (i).
- ^L Effective January 1, 2020, no more than 50% of the agency's money may be invested in deposits, including certificates of deposit, through a placement service as authorized under 53601.8 (excludes negotiable certificates of deposit authorized under Section 53601 (i)). On January 1, 2031, the maximum percentage of the portfolio reverts back to 30%. Investments made pursuant to 53635.8 remain subject to a maximum of 30% of the portfolio.
- ^M Reverse repurchase agreements or securities lending agreements may exceed the 92-day term if the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity dates of the same security.
- ^N Reverse repurchase agreements must be made with primary dealers of the Federal Reserve Bank of New York or with a nationally or state-chartered bank that has a significant relationship with the local agency. The local agency must have held the securities used for the agreements for at least 30 days.
- ^O "Medium-term notes" are defined in Section 53601 as "all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States."
- ^P No more than 10% invested in any one mutual fund. This limitation does not apply to money market mutual funds.
- ^Q A mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies or the fund must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years' experience investing in instruments authorized by Sections 53601 and 53635.
- ^R A money market mutual fund must receive the highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration and who has not less than five years' experience investing in money market instruments with assets under management in excess of \$500 million.
- ^S Investments in notes, bonds, or other obligations under Section 53601 (n) require that collateral be placed into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, among other specific collateral requirements.
- ^T Security types authorized under Section 53601 (o) that are issued or guaranteed by an issuer identified in subdivisions (b) or (f), are not subject to the limitations placed on privately issued securities authorized in Section 53601 (o)(2)(A)(B).
- ^U A joint powers authority pool must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years' experience investing in instruments authorized by Section 53601, subdivisions (a) to (o).
- ^V Local entities can deposit between \$200 million and \$10 billion into the Voluntary Investment Program Fund, upon approval by their governing bodies. Deposits in the fund will be invested in the Pooled Money Investment Account.
- ^W Only those obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), and Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less.

TABLE 2

FIGURE 2

Comparison and Interpretation of Credit Ratings¹

Long Term Debt Ratings

Long Term Debt Ratings

Rating Interpretation	Moody's	Standard & Poor's	Fitch IBCA
Best-quality grade	Aaa	AAA	AAA
High-quality grade	Aa1- Aa2 _Aa3	AA+ AA AA AA AA -	AA+ AA - AA-
Upper medium grade	A1 A2 A3	A+ A A-	A+ A A-
Medium Grade	Baa1 _Baa2 Baa3	BBB+ _BBB BBB-	BBB+ _BBB BBB-
Speculative Grade	Ba1 _Ba2 Ba3	BB+ _BB BB-	BB+ _BB BB-
Low Grade	B1 - B2 B3	B+ _B B-	B+ _B B-
Poor Grade to Default	Caa	CCC+	CCC
In Poor Standing	-	CCC	-
Highly Speculative Default	Ca C	CC -	CC -
Default	- - -	- - D	DDD- DD_ D

Short Term/Commercial Paper Investment Grade Ratings

Short Term/Commercial Paper Investment Grade Ratings

Rating Interpretation	Moody's	Standard & Poor's	Fitch IBCA
Superior Capacity	P-1	A-1+/A-1	F1+F1
Strong Capacity	P-2	A-2	F2
Acceptable Capacity	P-3	A-3	F3

¹ These are general credit rating guidelines and are for information only.

ATTACHMENT A

GLOSSARY

Agent - An independent third party acting for the Custodian. The Investment Manager may act as Agent.

Approved NRSRO - Approved NRSROs consists of the following NRSROs: 1) Standard and Poor's, 2) Moody's, and 3) Fitch Ratings.

Arbitrage- Transactions by which securities are bought and sold in different markets at the same time for the sake of the profit arising from a yield difference in the two markets. The 1986 Tax Reform Act made this practice by municipalities illegal solely as a borrowing tactic, except under certain safe-harbor conditions.

Asset Allocation-The division of an investment portfolio among different asset categories, such as stocks, bonds, and cash.

Asset-Back Securities-Securities that are supported by pools of assets, such as installment loans or leases, or by pools of revolving lines of credits. Asset-backed securities are structured as trusts in order to perfect a security interest in the underlying assets.

Bankers' Acceptance- A draft or bill of exchange accepted by a bank or trust company. The accepting institution, as well as the issuer, guarantees payment of the bill.

Bond Proceeds-The money paid to the issuer by the purchaser or underwriter of a new issue of municipal securities. These moneys are used to finance the project or purpose for which the securities were issued and to pay certain costs of issuance as may be provided in the bond contract.

Bonds-A debt obligation of a firm or public entity. A bond represents the agreement to repay the debt in principal and, typically, in interest on the principal.

Broker-Someone who brings buyers and sellers together and is compensated for his/her service.

Certificate of Deposit- A short-term, secured deposit in a financial institution that usually returns principal and interest to the lender at the end of the loan period. Certificates of Deposit (CDs) differ in terms of collateralization and marketability. Those appropriate to public agency investing include:

Negotiable Certificates of Deposit-Generally- short-term debt instrument that usually pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. The majority of negotiable CDs mature within six months while the average maturity is two weeks. Negotiable CDs are traded in a secondary market and are payable upon order to the bearer or initial depositor (investor). Negotiable CDs are insured by FDIC up to \$250,000, but they are not collateralized beyond that amount.

Non-Negotiable Certificates of Deposit - CDs that carry a penalty if redeemed prior to maturity. A secondary market does exist for non-negotiable CDs, but redemption includes a transaction cost that reduces returns to the investor. Non-negotiable CDs issued by banks and savings and loans are insured by the Federal Deposit Insurance Corporation up to the amount of \$250,000, including principal and interest. Amounts deposited above this amount may be secured with

other forms of collateral through an agreement between the investor and the issuer. Collateral may include other securities including Treasuries or agency securities such as those issued by the Federal National

CD Placement Service - A service that allows local agencies to purchase more than \$250,000 in CDs from a single financial institution while still maintaining FDIC insurance coverage. See "CDARS".

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

Collateralization - Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.

Commercial Paper-An unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 270 days.

County Pooled Investment Funds-The aggregate of all funds from public agencies placed in the custody of the County Treasurer or Chief Finance Officer for investment and reinvestment.

Coupon-The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value; a certificate attached to a bond evidencing interest due on a payment date.

Credit Risk-The risk of principal loss due to the failure of the issuer of the security

Custodian -A bank or other financial institution that keeps custody of stock certificates and other assets.

Dealer-Someone who acts as a principal in all transactions, including buying and selling from his/her own account.

Defeased Bond Issues -Issues that have sufficient money to retire outstanding debt when due so that the agency is released from the contracts and covenants in the bond document.

Derivative-Securities that are based on, or derived from, some underlying asset, reference date or index.

Diversification-The reduction of risk by investing in a variety of assets which ensures that a portfolio is not concentrated in securities of any one type, industry, or entity.

Duration-A measure of the timing of the cash flows to be received from a security that provides the foundation for a measure of the interest rate sensitivity of a bond. Duration is a volatility measure and represents the approximate percentage change in price divided by the percentage change in interest rates. A high duration measure indicates that for a given level of movement in interest rates, prices of securities will vary considerably.

Federal Agencies and U.S. Government Sponsored Enterprises-Investments which are obligations, participations, and other instruments of, or issued by, a federal agency or a United States

government sponsored enterprise, including instruments issued by, or fully guaranteed as to principal and interest by the issuers.

Fiduciary-An individual who holds something in trust for another and bears liability for its safekeeping.

Floating Rate Securities-Securities that provide for the automatic adjustments of its interest rate whenever a specified interest rate changes.

Government Accounting Standards Board (GASB)-A standard-setting body, associated with the Financial Accounting Foundation, which prescribes standard accounting practices for governmental units.

Government Pooled Funds-Funds of various governmental agencies that are pooled together for investment purposes.

Government Sponsored Enterprises (GSE)-Privately held corporations with public purposes created by the U.S. Congress to reduce the cost of capital for certain borrowing sectors of the economy. Securities issued by GSEs carry the implicit backing of the U.S. Government, but they are not direct obligations of the U.S. Government. For this reason, these securities will offer a yield premium over Treasuries.

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.

Investment Manager-An individual designated by the Chief Financial Officer (CFO) to manage all or any part of the investment portfolio.

Joint Powers Authority (JPA) California Government Code Section 6500, ET. Seq. provides that two or more public agencies may, by agreement, exercise any power common to the contracting parties.

Liquidity -An asset that can easily and rapidly be converted into cash without significant loss of value.

Local Agency Investment Fund-A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's office.

Local Government Investment Pool (LGIP)-Investment pools that range from the State Treasurers Local Agency Investment Fund (LAIF) to county pools, to Joint Powers Authorities (JPAs). These funds are not subject to the same SEC rules applicable to money market mutual funds.

London Interbank Offered Rate (LIBOR)-The average interest rate that leading banks in London charge when lending to other banks and used as a benchmark for Finance.

Market Risk-The risk of market value fluctuations due to economic change in the interest rate markets.

Market Value-The price at which a security is trading and presumably could be purchased or sold at a particular point in time.

Maturity- The date on which the principal or stated value of an investment becomes due and payable.

Medium-Term Note--Corporate or depository institution debt securities meeting certain minimum quality standards (as specified in the California Government Code) with a remaining maturity of five years or less.

Money Markets-A component of financial markets for assets involved in short- term borrowing and lending with original maturities of one year or shorter time frames.

Mortgage or Asset Backed Securities-Securities whereby cash flow from the mortgages, receivables and other assets underlying the security are passed-through as principal and interest payments to the investor.

Mutual Funds-An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments.

Nationally Recognized Statistical Rating Organization (NRSRO)-A credit rating agency that issues credit ratings that the U.S. Securities and Exchange Commission (SEC) permits other financial firms to use for certain regulatory purposes. The SEC's Office of Credit Ratings administers the SEC's rules relating to NRSROs, in addition to performing various other functions with respect to NRSROs.

Negotiable Certificates of Deposit/Time Deposits-A negotiable receipt for a time deposit at a bank or other financial institution for a fixed time and interest rate.

Note -A written promise to pay a specified amount to a certain entity on demand or on a specified date.

Par Value -The amount of principal that must be paid at maturity; also referred to as the face amount of a bond, normally quoted in \$ 1,000 increments per bond.

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

Prospectus-A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC 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").

Portfolio-Combined holding of more than one stock, bond, commodity, real estate investment, cash equivalent or other asset. The purpose of a portfolio is to reduce risk by diversification.

Prudent Investor Standard -A standard of conduct where a person acts with care, skill, prudence, and diligence when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing funds. The test of whether the standard is being met is if a prudent person acting in such a situation would engage in similar conduct to ensure that investments safeguard principal and maintain liquidity.

Repurchase Agreements -An agreement of one party (for example, a financial institution) to sell securities to a second party (such as a local agency) and simultaneous agreement by the first party to repurchase the securities at a specified price from the second party on demand or at a specified date.

Reverse Repurchase Agreements-An agreement of one party (for example, a financial institution) to purchase securities at a specified price from a second party (such as a public agency) and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

Rule G-37 of the Securities Rulemaking Board-Federal regulations to sever any connection between the making of political contributions and the awarding of municipal securities business.

Safekeeping Service -Offers storage and protection of assets provided by an institution serving as an agent.

State of California and Local Agency Obligations-Registered state warrants, treasury notes or bonds of the State of California and bonds, notes and warrants or other evidence of indebtedness of any local agency of the state including bonds payable solely out of the revenue from a revenue producing property owned, controlled, or operated by the State or local agency or by a department, board, agency, or authority of the State or local agency.

Securities and Exchange Commission (SEC)-The federal agency responsible for supervising and regulating the securities industry.

Securities Lending Agreement -An agreement of one party (for example, a local agency) to borrow securities at a specified price from a second party (for example, another local agency) with a simultaneous agreement by the first party to return the security at a specified price to the second party on demand or at a specified date. These agreements generally are collateralized and involve a third-party custodian to hold the securities and collateral. Economically similar to reverse-repurchase agreement.

Tax and Revenue Anticipation Notes (TRANs)-Notes issued in anticipation of receiving tax proceeds or other revenues at a future date.

Trustee or trust company or trust department of a bank-A financial institution with powers to act in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

Term-The remaining time to Maturity when the asset is purchased.

Underwriter -A dealer which purchases a new issue of municipal securities for resale.

US Treasury Obligations -Debt obligations of the United States Government sold by the Treasury Department in the forms of Bills, Notes, and Bonds. Bills are short-term obligations that mature in 1 year or less and are sold on the basis of a rate of discount. Notes are obligations that mature between 1 year and 10 years. Bonds are long-term obligations that generally mature in 10 years or more.

Variable Rate Securities-Securities that provide for the automatic establishment of a new interest rate on set dates.

Weighted Average Maturity (WAM) -The average maturity of all the securities that comprise a portfolio that is typically expressed in days or years.

Yield-The current rate of return on an investment security generally expressed as a percentage of the securities current price.

Yield Curve-A graphic representation that shows the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity.