CLARK COUNTY TREASURER'S OFFICE

INVESTMENT POLICY

Clark County Finance Committee

May 21, 2024

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CLARK COUNTY INVESTMENT POLICY

1. **Introduction**

The Clark County Treasurer's Office (Treasurer) provides property tax revenue collection and distribution, banking, financial reporting, investment, and debt management services. These services are provided to the county and relevant municipal corporations, including school, fire, cemetery, water, and other special purpose districts. Qualifying federally recognized tribes are also eligible to receive investment services.

Funds held by the Treasurer that are not needed for immediate expenditure are invested in the Clark County Investment Pool (Pool) which is managed by the Treasurer. Municipal corporations and federally qualified tribes must have an executed Investment Services Agreement with the Treasurer to become Pool Participants (Participants). The average annual balance of funds invested in the Pool ranges between $1 - $1.5 billion. The balance depends upon Participants' bond issues and annual property tax cycles.

2. Scope

The Clark County Investment Policy (Policy) applies to all funds invested in the Pool, including all financial assets held or controlled by the Treasurer. Types of Participant funds invested in the Pool include General, Special Revenue, Capital Project, Enterprise, Debt Service, Insurance, Transportation, and Agency funds. New funds invested by Participants shall comply with this Policy. Pool securities and securities invested outside the Pool are collectively referred to as the "Portfolio".

The Policy does not apply to trust fund assets held by third parties and all other aspects of fund management including revenue and expenditures, which are controlled by Participants.

3. Policy Statement

This Policy establishes investment objectives, delegation of authority, standards of prudence, eligible investments and transactions, internal controls, reporting requirements, safekeeping and custodial procedures necessary for the prudent management and investment of public funds in the custody of the Treasurer.

As detailed throughout the Policy, the Treasurer will invest public funds in accordance with all federal, state, and local governing statutes. Additionally, the Treasurer will invest public funds in a manner that preserves capital and ensures the protection of investment principal, allows adequate liquidity for Participants, and achieves the highest investment return.

4. Governing Authority

Per RCW 36.29.010-022, the Treasurer is required to invest funds not needed for immediate expenditure and is allowed to combine those funds for the purpose of investment in a commingled pool.

Per RCW 36.48.070, the Clark County Finance Committee (Finance Committee), which consists of the County Treasurer as Chair, the County Auditor as Secretary, and the Chair of the Clark County Council as ex officio, is required to approve the Policy and make all appropriate rules and regulations to carry out the provisions of RCW 36.48.010 through 36.48.060.

The Finance Committee may meet at least quarterly. These meetings are subject to the Open Public Meetings Act.

5. Delegation of Authority

RCW 36.29.020 delegates the Treasurer authority to manage the Pool as follows:

- The governing bodies of municipal corporations and federally qualified tribes must authorize the investment of its funds not required for immediate expenditure, that are in the custody of the Treasurer, to be invested by the Treasurer. As noted above, municipal corporations and federally qualified tribes must have an executed Investment Services Agreement with the Treasurer to become Pool Participants.

- When not already authorized by statute or the governing bodies of the relevant municipal corporations, the Finance Committee authorizes the Treasurer to invest any remaining funds in accordance with this investment policy.

The Treasurer is responsible for all transactions and shall establish a system of controls and procedures to regulate the activities of all staff in investment matters. The Treasurer shall recommend policy changes, as appropriate, to the Finance Committee and shall be charged with implementing such policy and subsequent policy changes in a timely, prudent, and effective manner.

To ensure effective cash management of public funds, the Treasurer may designate investment officers who will have the authority to perform the duties of the Treasurer.

6. Objectives

Primary investment activity objectives, in priority order, are:

1. **<u>Safety</u>**: Safety of principal is the foremost objective of the portfolio. This objective seeks assurance that principal losses are minimized, whether from securities default, broker/dealer default, or erosion of market value. To attain this objective, diversification is required so potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

2. **<u>Liquidity</u>**: The portfolio shall be structured to timely meet expected cash outflow needs and associated obligations which might be reasonably anticipated. This objective will be achieved by matching investment maturities with forecasted cash outflows and maintaining an additional liquidity buffer for unexpected liabilities.

3. **<u>Return on Investment</u>**: The portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow requirements of the Participants.

7. Investment Philosophy

The Pool provides Participants an alternate investment vehicle to the Washington State Local Government Investment Pool (LGIP). Its longer duration has the potential to achieve higher yields, while maintaining adequate diversification and liquidity. The Pool's investment strategy is to adjust maturity and asset class diversification when market conditions change. Securities are generally held until maturity, with the following exceptions:

- A security with declining credit may be sold prior to maturity to minimize loss of principal.
- Liquidity needs of the portfolio require that a security be sold prior to maturity.
- A security rebalance or swap would improve the quality, yield, or target duration in the portfolio.

8. Prudence

The Treasurer will perform their duties in a manner consistent with the standard of a "prudent person," as defined by RCW 43.250.040.

> "In investing and reinvesting moneys in the public funds investment account and in acquiring, retaining, managing, and disposing of investments…, there shall be exercised the judgment and care under the circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of the funds considering the probable income as well as the probable

safety of the capital."

The Treasurer acting in accordance with this Policy and exercising due diligence shall be relieved of personal responsibility for credit and market risks encountered in the performance of their investment duties. Due diligence requires timely reporting of material deviation from expectations and such other actions to control adverse developments as may be possible in consideration of the circumstances and within other provisions of this policy.

9. Ethics and Conflicts of Interest

The Treasurer shall refrain from personal business activity that could conflict with the proper execution of the investment program, or that could impair their ability to make impartial investment decisions.

The Finance Committee will annually file, between January 1 and April 15 of each calendar year, the T1 report with the Public Disclosure Commission consistent with the provisions of RCW 42.17A.570.

No officer or employee of Clark County may receive, accept, take, seek, or solicit, directly or indirectly, anything of economic value as a gift, gratuity, or favor from a person if it could be reasonably expected that the gift, gratuity, or favor would influence the vote, action, or judgment of the officer or employee, or be considered as part of a reward for action or inaction RCW 42.52.140.

10. Collateralization, Safekeeping, and Custody

All investment securities purchased by the Treasurer or held as collateral on either deposits or investments shall be held in third-party safekeeping at a financial institution, to be designated as the "Custodian", qualified to act in this capacity. All securities held for the Treasurer account will be held free and clear of any lien and all transactions will be conducted on a delivery-versus-payment (DVP) basis. The Custodian shall issue a safekeeping receipt to the Treasurer listing the specific instrument, rate, maturity and other pertinent information. On a monthly basis, the custodian will also provide reports that list all securities held for the Treasurer, the book value of holdings, and the market value at month end. Representatives of the Custodian responsible for, or in any manner involved with, the safekeeping and custody process of the Portfolio shall be bonded to such a degree as to protect the Treasurer and Clark County against losses from malfeasance and misfeasance.

11. Internal Controls

The Treasurer shall establish and monitor a set of written internal controls designed to protect Participant's cash and cash equivalent assets and to ensure proper accounting and reporting of the investment transactions. Internal controls shall include, but not be limited to:

- The use of third-party custody and safekeeping;
- The execution of all securities transactions on a delivery versus payment basis;
- The clear delegation of investment authority;
- The separation of transaction authority from record keeping;
- The use of objective criteria in selecting financial institutions and dealers authorized to provide investment services;
- The use of objective criteria in awarding investment purchases and sales to authorized financial institutions and dealers.

12. External Audit

The Treasurer is subject to an annual independent review by the Washington State Auditor of its internal controls and compliance with all state and federal statutes and relevant policies and procedures (RCW 43.09.260), investment officers shall be included as part of the annual audit. However, the Washington State Auditor is not required to annually audit the Treasurer.

13. Pool Participant Meetings

The purpose of these meetings is to provide a forum for reporting, reviewing investment strategy, and receiving cash flow information from Participants. These meetings are typically held once a quarter similar to the Finance Committee. Participants will be notified at least one week prior to the scheduled meeting of the date, time, and location.

14. Authorized Financial Dealers and Institutions

The Treasurer will maintain a list of broker/dealers and financial institutions authorized to provide investment services to the Treasurer and who are in compliance with Washington State and U.S. Securities and Exchange Commission. Authorized broker/dealers and financial institutions will be limited to those that meet one or more of the following:

- financial institutions approved by the Washington Public Deposit Protection Commission (RCW 39.58); or,
- primary dealers recognized by the Federal Reserve Bank; or,

- non-primary dealers qualified under U.S. Securities and Exchange Commission Rule 15C3-1 and who are a certified member of the Financial Industry Regulatory Authority.

Each authorized broker/dealer will submit annual reports, including audited financial statements, and other information as determined by the Treasurer.

Financial institutions are those entities that provide Certificate of Deposits, Banker Acceptances, and deposits approved by the Washington Public Protection Commission. The Treasurer will periodically review their financial statements online.

The Treasurer will maintain quarterly call reports for those financial institutions where we have investments.

All broker/dealers who desire to become qualified bidders for investment transactions must supply the following when requested:

- audited financial statements,
- proof of Financial Industry Regulatory Authority (FINRA) certification,
- a signed trading authorization form,
- proof of registration with the state of Washington, and
- a completed Broker/Dealer questionnaire and certification of having read the Policy.

Qualified broker/dealers and financial institutions will be reviewed and selected by the Treasurer on a routine basis. This includes a periodic review of the financial condition and registrations of qualified bidders. Current audited financial statements are required to be on file for each financial institution and broker/dealer in which the Treasurer invests.

15. Investment Advisor

The Treasurer may use an Investment Advisor, depending on budgetary constraints, on at least an annual basis. The role of the Investment Advisor is to provide technical advice to the Treasurer in managing the Portfolio. The Treasurer may request the Investment Advisor to:

- evaluate the current portfolio and investment strategy and describe any changes which should be made;
- determine if internal controls, market analysis, portfolio analysis, and reporting practices are adequate; and
- evaluate the Policy and investment procedures.

16. Authorized and Suitable Investments

Eligible investments are only those securities and deposits authorized by statute (RCW 36.29.020, 36.29.022, 39.58.050, 39.59.020, 39.59.040, and 43.84.080).

The Treasurer may invest in any investment authorized by law for the Treasurer of the state of Washington or any local government in the state of Washington (RCW 39.59.020). The following criteria applies to all investment purchases:

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

The following investments are representative (not inclusive) of the permitted securities:

A. **U.S. Treasury obligations.** Direct obligations of the United States Treasury with the full faith and credit of the United States.

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

C. **Supranational Bonds.** United States dollar denominated bonds, notes or other obligations that are issued or guaranteed by supranational institutions, provided, that at the time of investment, the institution has the United States as its largest shareholder. These include International Bank for Reconstruction and Development (IBRD or World Bank); the International Finance Corporation (IFC); the Asian Development Bank (ADB) and the Inter-American Development Bank (IADB).

D. **Municipal Bonds**. The Treasurer may invest in bonds of the State of Washington, any local government in the State of Washington, General Obligation bonds outside the

State of Washington, at the time of investment the bonds must have one of the three highest credit ratings of a nationally recognized rating agency.

E. Corporate Notes:

- This unsecured debt obligation must be purchased in accordance with the investment policies and procedures adopted by the State Investment Board. Corporate notes must be rated at least weak single A (A-) or better by all the major rating agencies that rate the note at the time of purchase for inclusion in the corporate note portfolio.
- The maturity must not exceed 5 years and the maximum duration of the corporate note portfolio cannot exceed 3 years.
- The percentage of corporate notes that may be purchased from any single issuer rated AA- or better by all major rating agencies that rate the note is 3% of the assets of the total portfolio.
- The percentage of corporate notes that may be purchased from any single issuer rated in the broad single A (A-) category from all the major rating agencies that rate the security is 2% of the total portfolio.
- The individual country limit of non-U.S. and non-Canadian exposure is 2% of the total portfolio. The exposure is determined by the country of domicile of the issuers of portfolio securities.

F. Commercial Paper

- Commercial paper must be rated with the highest short-term credit rating category of any two NRSROs at the time of purchase. If the commercial paper is rated by more than two major NRSROs, it must have the highest rating from all of them.
- Any commercial paper purchased with a maturity longer than 100 days must also have an underlying long-term senior unsecured credit rating at the time of purchase in one of the three highest rating categories of an NRSRO.
- The percentage of commercial paper that may be purchased from any single issuer is 3% of the assets of the total portfolio.
- Issuer constraints will apply to the combined holdings of corporate notes and commercial paper holdings.

G. Non-negotiable Certificates of Deposits (CD's)

- Normal (term) non-negotiable CD's can be purchased with financial institutions qualified by the Washington Public Deposit Protection Commission (PDPC).
- Flexible CD's can be purchased with financial Institutions qualified by the PDPC which offer periodic draws of principal and interest prior to the maturity of such Certificates.

H. Public Depositories can be invested with financial institutions qualified by the

PDPC.

I. **Banker's Acceptances** generally are created based on a letter of credit issued to finance transactions. They are used to finance the shipment of some specific goods within the United States. They are issued by qualified financial institutions eligible for discount by the Federal Reserve System.

J. **Repurchase Agreements:** The Treasurer may invest in Repurchase Agreements only with primary dealers who have a long-term credit rating of "A" or better by two NRSROs, if the final maturity of the repurchase agreement is less than one week. The third-party custodian must also maintain an "A" long-term credit rating. If the final maturity of the repurchase agreement is longer than one week, the primary dealer and the third-party custodian must maintain an “AA” long-term credit rating or better by two NRSROs. The Treasurer must enter into a Bond Market Association (BMA) Master Repurchase Agreement and third-party custodial contract which specifies terms and conditions of the repurchase agreement.

- The third-party custodian will act as trustee solely on behalf, and at the direction of, the Treasurer for the safekeeping of securities.
- The market value of collateral pledged must be maintained at 102% of the value of the repurchase agreement, plus accrued interest. Collateral for mortgage-backed (CMO) repurchase agreements will be priced at 105% of market value, plus accrued interest.
- The only eligible collateral for repurchase agreements will be direct obligations of the U.S. Treasury and/or U.S. Government Agency obligations and/or U.S. Government instrumentality obligations.
- The market value of the securities used as collateral for repurchase agreements shall be monitored daily by the Treasurer and by a third-party custodian. If any deficiencies are discovered, they shall be corrected within one day. If the deficiencies are not corrected within one day, the procedures defined in the Repurchase Agreement contract will be followed to cancel the Repurchase Agreement.
- The right of collateral substitution is granted provided only authorized securities are used.

K. **Registered Warrants.** Per RCW 39.59.040, the Treasurer may invest in registered warrants.

L. **Securities Lending.** The Treasurer may select one or more firms to provide securities lending management services. Securities lending services will include, but are not limited to, the following:

- The Treasurer may lend securities only to primary dealers who have a long-term credit rating of "A" or better by two NRSROs. The third-party custodian must also maintain an "A" long-term credit rating.

- The Treasurer must enter into a written agreement with the lending agent and must enter into the industry standard agreement with any borrower. The Treasurer must receive indemnification from the lending agent for borrower default and any losses resulting from the agent's negligence or failure to comply with written instructions.
- All loans of securities must be supported by collateral valued at not less than 102% of market value of the securities, including accrued interest.
- Procedures will detail the restrictions permitted on "mismatch" of the loan and the reinvestment of cash collateral.
- Provide next-day liquidity for all securities on loan as required.
- Provide monthly accounting, performance, compliance, management reports, and other reports as required by the treasurer.
- Reinvestment of proceeds of securities lending for cash collateral must be done as an investment according to the restrictions of this policy but only count against the limit on reverse repurchase agreements at fiscal year-end.
- Collateral accepted by a securities lending agent must conform to the collateral requirements of this policy and must be equal to no less than 102%.
- Collateral must be held by an independent third-party custodian with whom the Treasurer has entered into a custodial agreement.
- All securities transactions are to be conducted on a delivery-versus-payment (DVP) basis only, and trades must have a confirmation/safekeeping receipt provided to the Treasurer.

M. **Washington State Local Government Investment Pool (LGIP):** Investment pool managed by the Washington State Treasurer's Office and is a voluntary investment vehicle which offers 100% liquidity to its participants.

17. Prohibited Investments

Any investment outside of the authorized securities and deposits listed in statute (RCW 36.29.020, 36.29.022, 39.58.050, 39.59.020, 39.59.040, and 43.84.080) are unauthorized and prohibited by law. These include but are not limited to:

- Equity securities
- Mortgage-backed securities
- Securities that leverage the portfolio or are used for speculation of interest rates
- Reverse repurchase agreements

18. Investment Parameters

A. Diversification

The Pool's portfolio shall be structured to diversify investments to reduce risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer, or a specific type of security. The maximum percentage of the portfolio permitted in each eligible security is as follows:

Issue Type	Maximum % Holdings	Maximum % per Issuer	Ratings S&P, Moody's or Equivalent	Maximum Maturity
US Treasury Obligations	100%	None	N/A	5 years
US Agency Obligations	100%	35%	N/A	5 years
Supranational Agency Notes	10%	5%	AA- / Aa3	5 years
Municipal Obligations (GO Only outside WA)	20%	5%	A- / A3	5 years
Corporate Notes	25%	3%* for AA- 2%* for A-, A, A+	A- / A3	5 years
Commercial Paper		3%*	A1 / P1 Long Term A-/A3	270 days
Non-Negotiable Certificates of Deposit	40%	5%	Deposits in PDPC approved banks	5 years
Public Depositories	50%	20%	Deposits in PDPC approved banks	N/A
Banker's Acceptance	25%	5%	N/A	180 days
Repurchase Agreements	30%	20%	A- / A3	90 days
Registered Warrants	10%	5%	N/A	N/A
Securities Lending	25%	10%	A- / A3	N/A
Washington LGIP	100%	None	N/A	N/A

*Issuer constraints apply to the combined issues in corporate and commercial paper holdings.

Note: Individual country limit of non-U.S./non-Canadian exposure is 2% of total portfolio

B. Maximum Maturities

Maintenance of adequate liquidity to meet the cash flow needs of Participants is essential. Accordingly, securities in the portfolio will be structured in a manner that ensures sufficient cash is available to meet anticipated cash flow needs of Participants, based on historical information and any projected cash flow needs provided by Participants. Any cash more than necessary to meet the anticipated needs may be invested with the following maturity limitations:

Maturity Constraints	**Minimum % of Total Portfolio**
Under 30 days	10%
Under 1 year	25%
Under 5 years	100%
Maturity Constraints	**Total Portfolio Maximum**
Weighted Average Maturity	1.5 years
Duration of Corporate Note Portfolio	3 years
Security Structure Constraint	**Maximum % of Total Portfolio**
Callable Agency Securities	25%

The Pool is an external investment pool. The maximum weighted average maturity of the Pool cannot exceed one and one-half (1 ½) years.

C. Investment Transaction Parameters

The Pool shall follow the following investment transaction parameters:

- Obtain at least three offers/bids (when applicable/available) or obtain independent third-party pricing; and
- Forward settlement time limit of not more than 30 days.

D. Calculation Parameters

Calculations of percentage allocations shall be done at the time of purchase and formulated on book value. Weighted average maturity will be calculated by using the following proxies, and if a security contains more than one of the following attributes, the shortest attribute will be used as the maturity date proxy:

- For securities that have been called by the issuer, the effective call date will be used as the maturity date proxy;
- For securities with a put option, the date upon which the put option is fully exercisable for a value of at least 100% of the investment's par or face amount will be used as the maturity date proxy; and

- For variable rate securities, the period remaining to the next reset date will be used as the maturity date proxy.

(Note: Information on securities which have been purchased/sold but have not settled, may be included.)

19. Risks

There are inherent risks associated with investing, including participation in the Pool. All securities purchased by the Pool shall belong jointly to the Participants who shall share realized gains, income, and any realized losses on a pro-rata basis. The Investment Services Agreement will refer to this Policy for all risk disclosures.

The Pool is not a money market or bank account, which typically has a lower- average maturity (under 60 days) and lower yield. Funds invested in the Pool are not insured or guaranteed by the Federal Deposit Insurance Corporation, Clark County, or any other government agency. Interest earnings of the Pool depend on amortized earnings and interest accruals at prevailing investment rates and is anticipated to remain at a stable $1.00 per share value. The interest earnings of the Portfolio are typically higher than money market or bank accounts due to its longer average maturity.

Other risks to investing include, but are not limited to the following:

Income Risk**:** Because there may be fluctuation in market interest rates, the amount of income generated by the Portfolio may fluctuate as well.

Counterparty Risk**:** A party to a transaction involving the Portfolio may fail to meet its obligations. This could cause the Portfolio to lose the benefit of the transaction or prevent the Portfolio from selling or buying other securities to implement its investment strategies.

Interest Rate Risk – Market Value Risk: The rise and fall in interest rates will make the price (i.e., market value) of the underlying securities held in the Portfolio to fluctuate, and therefore, affect the value of the Portfolio's investments. As a result, the value of the participant's pro-rata share of the Pool will fluctuate with the value of the underlying assets. This will affect the value at which the pro-rata shares or separate securities will be reported on the books of the Participant for financial reporting.

Credit Risk: A government or company that issues a security may not be able to repay the principal or pay interest when due which could result in a loss to the Portfolio. The risk tends to increase as an issuer's credit rating declines, which impacts the market value of the security. The Portfolio may be made in securities that meet the rating criteria of this policy; however, the rating on some securities purchased may fall below this rating. The Portfolio may continue to hold the downgraded securities at the discretion of the portfolio manager.

Liquidity Risk: Liquidity risk is the risk that the Portfolio will experience if significant net withdrawals occur. The first source of liquidity is bank deposits and LGIP funds, if those are not available then securities would be sold to provide for cash needs. If there were not buyers for the portfolio securities or they can't be sold without incurring a significant loss to the Pool, then the Pool would incur liquidity risk. All the securities held in the Portfolio are considered highly marketable securities with active buyers in the marketplace.

Risk Associated with use of Amortized Costs: The use of amortized cost valuation means that the Pool's stable $1.00 price value may vary from its market value Net Asset Value (NAV) per share. In the unlikely event the Treasurer were to determine that the extent of the deviation (targeted at 0.985 to 1.015 by policy) between the Pool's amortized cost per share and the market value NAV per share may result in material dilution or other unfair results to the Participants, the Treasurer may take such action deemed appropriate to eliminate or reduce dilutions that cause unfair results to participants.

20. Reporting

The Treasurer prepares reports on investment activity on a monthly, periodic and annual basis. Reports may also be prepared at such times as deemed appropriate by the Treasurer. A report showing the original cost (or book) value and fair value of each Participant fund's investment in the Pool will be provided at each month end. Reports will be distributed to the various oversight committees and Participants as deemed appropriate by the Treasurer and will be readily available upon request. Examples of reports are:

- Investment purchases and sales;
- Investment income received;
- Realized and unrealized gains and losses;
- Weighted average maturity of the portfolio;
- Percentage of portfolio by issuer, by type of security, and by maturity sector;
- NAV per share of Pool Shares and the number of shares outstanding;
- Pool balances, stated at cost and market value;
- Pool yields;
- Pool performance on a total return basis after subtracting any relevant fees, including the Treasurer's Investment Fee, compared to established benchmarks shall be reported monthly;
- Investment strategies shall be reported quarterly; and
- A report on current economic conditions.

Fair Market Value/Net Asset Value per share:

At the end of each month, and at any other times deemed appropriate by the Treasurer, the Treasurer shall determine the Fair Market Value (FMV) of the securities making up the Pool along with the Net Asset Value (NAV) per share. FMV and the NAV per share will be reported to Participants each month. The NAV per share is determined by dividing the value of the Pool's net assets (fair market value of the Pool's assets less fair market value of the Pool's liabilities) by the total number of Pool shares outstanding.

21. Performance Standards

The Pool's objective is to obtain a market average rate of return throughout budgetary and economic cycles that corresponds with investment risk constraints and Participants' cash flow needs.

For purposes of evaluating the Pool's investment performance, the Treasurer uses the following indices:

- The Washington State LGIP on a yield basis.
- A customized benchmark on a total return basis which is reviewed and approved by the Finance Committee.

22. Bond Proceeds

The Treasurer shall comply with all applicable sections of the Internal Revenue Code of 1986; Arbitrage Rebate Regulations and bond covenants concerning investment of bond proceeds.

23. Operations of the Pool

The Pool shall operate under the following guidelines:

Purchase of Pool Shares (also known as deposits):

Participants' monies not needed for immediate expenditure are invested in the Pool. There is no minimum or maximum balance required to be a Participant. The purchase price per share shall be one dollar ($1.00).

Management of the Pool's Net Asset Value:

It is recognized by all Participants that there can be no assurance that the Treasurer will be able to maintain a constant NAV per share of one dollar ($1.00) due to changes in the value of the Pool's investments resulting from changes in interest rates and the duration of the securities within the Pool. The Pool will be managed in a manner that is targeted to maintain the NAV per share within a band of $1.015 to $0.985. The calculation of NAV per share will be done twice each month.

In the rare event the Pool's NAV per share exceeds the targeted band of $1.015 or $0.985 in either direction, the Treasurer will promptly disclose this to the Finance Committee and to Participants. If selling securities is deemed appropriate, the realized gain or loss on the securities sold will be distributed to all Participants as provided below.

Earnings:
Interest is distributed based on the average weighted daily balance a Participant's fund maintains in the Pool and is calculated using the actual number of days in the month based on a 360-day year. The total accrued interest earned on the Pool securities and realized gains and losses on securities sold before their maturity date will be distributed monthly to Participants based upon Participants' weighted daily average (pro-rata) ownership of Pool shares. Interest will be paid based upon the last calendar day of each month and will be automatically reinvested as principal.

Should the dollar amount of realized losses exceed the amount of realized gains and interest earned in a given month, the net negative earnings will be distributed to Participants resulting in a pro-rata reduction in the fund balances for Participants.

Redemptions of Shares – to pay normal expenditures:

Participants who redeem Pool shares for normal expenditure purposes will receive one dollar ($1.00) per share.

Redemption of Shares – to reinvest outside the Pool:

Participants withdrawing one or more funds completely from the Pool shall receive one dollar ($1.00) per share, less costs associated with the transaction. Costs associated with this transaction include, but are not limited to wire transfer fees, safekeeping fees, etc.

Participants withdrawing one or more funds completely from the Pool, wherein the value of the shares being redeemed equals or exceeds three percent (3.00%) of the value of the total Pool, must provide ten (10) business days' notice prior to withdrawal.

Investment Fee – Clark County Investment Pool:

The Treasurer charges Participants an investment fee based on RCW 36.29.024. The investment fee is determined by the actual costs of managing the Pool and is set by the

Treasurer. The investment fee will be calculated annually and may fluctuate due to the actual average principal balances being maintained in the Pool differing from the projected balances. This fee is expressed as a rate (e.g., 6.3 basis points) based on the projected daily principal balance of the Pool for the next twelve months. If at the end of each twelve-month period the Treasurer determines that the amount of the investment fee collected was less than actual costs or was greater than actual costs incurred during the prior twelve months, then the rate for the next twelve months will be increased or reduced to reflect that. The calculation of the investment fee, with identification of actual costs, aggregated by major expense category, as adjusted and projected Pool balance, will be provided to Participants and the Finance Committee promptly after the calculation is completed.

Investment Fee – Investments Outside the Pool:

The Treasurer charges Participants an investment fee based on RCW 36.29.020. The investment fee charged for investments placed outside the Pool shall equate to five percent (5.00%) of the earnings of a security with an annual maximum of fifty dollars on each investment transaction.

24. Business Continuity

In cases where standard Treasurer operations are interrupted due to necessity; the Treasurer has the discretion to delegate investment pool transactional investment authority to the designated Investment Advisor. This authority must be authorized in writing. The goal of this designation is to protect taxpayer resources, prevent lapses in investment operations and/or resume operations as quickly and smoothly as possible.

25. Ongoing Training and Education

The Treasurer strives for professionalism and accountability in the investment of its funds. In order to assure the highest possible professional standards, the County will provide opportunities and funding for the personnel involved in the investment function to complete continuing education programs or other training in cash and investment management sufficient to maintain their skills and remain up to date on best practices and new regulations.

26. Investment Policy Adoption

This Policy shall be adopted by vote of the Clark County Finance Committee and is reviewed by the committee annually. Any modifications to the Policy shall be similarly approved. Participants will be notified if material changes are made to the Policy. Materiality is defined as a change in the risk profile of the portfolio.

Approved by the Clark County Finance Committee this the 21st of May, 2024.

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Gary Medvigy
Chair, Clark County Council

Alishia Topper
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Alishia Topper
Clark County Treasurer

Greg Kimsey
____
Greg Kimsey
Clark County Auditor

Glossary

Amortized Cost: The original cost of an investment with amortization of premium or accretion of discount over the life of the security. In addition, interest received from semi-annual coupon interest payments would be accrued ratable over six month periods. This amortization smooths coupon interest payments and recognizes, ratably until the investment matures, the difference between the purchase price and, at maturity, the par value of the security.

Asked: The price at which securities are offered for sale.

Banker's Acceptances (BA): A Bankers Acceptance (BA) is a credit instrument used to finance certain types of domestic and international commercial transactions. The bank on which the BA is drawn accepts the liability and responsibility of making payment upon maturity. This liability makes the acceptance very marketable and safe.

Bid: The price a seller is requesting. (When you are selling securities, you ask for a bid). See Offer.

Bond Market Association (BMA) Master Repurchase Agreement: A standard written contract covering all future transactions between the parties to repurchase-reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

Book Value: The term book value denotes the original cost of an investment.

Book Value Return: Measures the yield at which securities in the portfolio were originally purchased adjusted for realized gains or losses.

Broker: A broker brings buyers and sellers together for a commission.

Certificate of Deposit (CD): A time deposit with a specific maturity evidenced by a certificate. Treasurers are only allowed to purchase non-negotiable CDs from financial institutions qualified by the Washington Public Deposit Protection Commission.

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

Coupon: (a) The annual rate of interest that an issuer of a bond promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

Credit Rating Definitions:

Long-term			
	Moody's	Standard & Poor's	Fitch
Highest Quality	Aaa	AAA	AAA
High Quality	Aa	AA	AA
Upper-medium-grade	A	A	A
Medium-grade	Baa	BBB	BBB
Speculative elements	Ba	BB	BB
Lack investment characteristics	B	B	B
Issues in default	Caa	CCC	CCC
Speculative in a high degree	Ca	CC	CC
Lowest rated class of bonds	C	C	C
Debt in default		D	D

Short-term (less than 365 days)			
	Moody's	Standard & Poor's	Fitch
Superior ability for repayment	P-1	A-1	F-1
Strong ability for repayment	P-2	A-2	F-2
Acceptable ability for repayment	P-3	A-3	F-3
Adequate capacity for payment		B	F-S
Doubtful capacity for payment		C	D
Issue in default		D	

Moody ratings from Aa to C may be modified by 1, 2, or 3 to show relative standing within the major rating categories. For example: Aa3.

S&P and Fitch ratings from AA to B may be modified by the (+) or (-) to show relative standing within the major rating categories. For example: AA+.

Dealer: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

Delivery Versus Payment: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

Discount: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

Discount Securities: Non-interest bearing money market instruments that are issued at a discount from par and redeemed at maturity for full face value, i.e. U.S. Treasury Bills.

Distribution: Allocation of Pool earnings to Participants' accounts.

Diversification: Dividing investment funds among a variety of securities offering independent returns. Interest income (coupon interest) plus realized gains and losses.

External Investment Pool: An arrangement that commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio. An investment pool that is sponsored by an individual state or local government is an external investment pool if it includes participation by a legally separate entity that is not part of the same reporting entity as the sponsoring government.

Fair Value: The price at which a financial instrument could be exchanged between willing parties, other than in a forced or liquidation sale.

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

Federal Deposit Insurance Corporation (FDIC): A federal agency that insures bank deposits, currently up to $250,000 per deposit.

Financial Industry Regulatory Authority (FINRA): FINRA is a private corporation, authorized by Congress, that acts as a self-regulatory organization. FINRA is the successor to the National Association of Securities Dealers, Inc. and the member regulation, enforcement, and arbitration operations of the New York Stock Exchange. FINRA also provides BrokerCheck, which is a service to obtain information regarding brokers, brokerage firms, and investment advisors.

Flexible non-negotiable CD: A time deposit with a specific maturity evidenced by a certificate. Treasurers are only allowed to purchase non-negotiable CDs from financial institutions qualified by the Washington Public Deposit Protection Commission. Step-up option will renew with each successive term if the certificate is automatic renewable. You may exercise the step-up option one time during the term, after the first six days. Additional deposits can be made (these additions may not exceed the original issue value) in $500.00 or larger increments after the first six days. Withdrawals may be made in any portion or total of amount of certificate at any time after the first six days. Withdrawals are limited to X times per month.

Government Sponsored Enterprises (GSEs): Federally chartered agency or instrumentality of the United States Government. Unlike U.S. Agency Obligations which have the explicit backing of the U.S. Government, GSEs presumably have de facto backing of the federal government and include the Federal Farm Credit Banks, the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac).

Investment Services Agreement: A written interlocal agreement between a district and the Treasurer covering the terms in which the Clark County Investment Pool is established and operates.

Liquidity: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

Local Government Investment Pool (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

Market Value: The price at which a security is trading and could presumably be purchased or sold by willing parties.

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

Maturity: The date upon which the principal (and accrued interest) or stated value of an investment becomes due and payable.

Money Market: The market in which short-term debt instruments (bills, commercial paper, banker's acceptances, etc.) are issued and traded.

Net Asset Value (NAV) Per Share: For purposes of the Clark County Pool, the NAV per share is determined by valuing the portfolio at market value. The market value of the Portfolio's securities less associated liabilities (assets less liabilities) is then divided by the total number of shares outstanding. This method results in a fluctuating NAV that may be equal to, greater than or less than $1.00.

Offer: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

Portfolio: Collection of securities held by an investor.

Primary Dealer: A pre-approved bank, broker/dealer or other financial institution that is able to make business deals with the U.S. Federal Reserve, such as underwriting new government debt. These dealers must meet certain liquidity and quality requirements as well as provide a valuable flow of information to the Fed about the state of the worldwide markets.

Public Deposit Protection Commission (PDPC): The PDPC consists of the State Treasurer, as Chairman, the Governor, and the Lieutenant Governor. The Commission is empowered to request a qualified public depositary to furnish information on its public deposits and the exact status of its net worth. The Commission is further empowered to take any action deemed advisable for the protection of public funds and to establish procedures for collection or settlement of claims arising from loss.

Qualified Public Depositories: A financial institution that does not claim exemption from payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability, and which has been approved by the Public Deposit Protection Commission to hold public funds.

Rate of Return: The yield obtainable on a security based on its purchase price or its current market price.

Repurchase Agreement (RP or Repo): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is used to increase bank reserves.

Relevant Municipal Corporations: Political subdivisions, junior taxing districts that are required to, or are eligible to, use the County Treasurer's investment and debt management services.

Safekeeping: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

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

Supranational: A supranational entity is formed by two or more central governments with the purpose of promoting economic development for the member countries. Supranational institutions finance their activities by issuing debt, such as supranational bonds. The three U.S. based supranationals are International Bank for Reconstruction and Development, the International Finance Corporation, and the Inter-American Development Bank.

Total Return: Measures the change in value of the overall portfolio over a given period (including market effects on price, income earned and adjustments for deposits/withdrawals). Total return enables portfolio managers to evaluate fluctuations in the value of principal rather than simply the income produced.

Treasury Bills: A discount security issued by the U.S. Treasury to finance national debt. Most bills are issued to mature in 4 weeks, three months, six months, or one year.

Treasury Bonds: An interest-bearing coupon security issued by the U.S. Treasury with initial maturities of more than ten years to finance the national debt.

Treasury Notes: An interest-bearing coupon security issued by the U.S. Treasury with initial maturities between one and ten years, to finance the national debt.

U.S. Agency Obligations: Some credit agencies (such as the Government National Mortgage Association) re owned and directed by the federal government and their debt obligations are backed by the full faith and credit of the U.S. government. Other federal agencies, referred to as government sponsored enterprises, are not guaranteed by the full faith and credit of the U.S. Government. These agencies presumably have de facto backing by the federal government and include the Federal Farm Credit Banks, the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac).

U.S. Securities and Exchange Commission: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

Variable Rate Securities: (sometimes called an "adjustable" or a "floating" rate securities), are bonds whose interest rate fluctuates over time because it is based on an underlying benchmark interest rate or index that changes periodically. These instruments provide protection against rising interest rates but pay lower yields than fixed rate notes.

Weighted Average: A proportional average in which each item's value compared to the total of all items is to be averaged is assigned a weight. These weightings determine the relative importance of each quantity on the average. Weightings are the equivalent of having many like items with the same value involved in the average. For example, if an investor purchases one hundred (100) shares at a cost of one dollar and fifty cents ($1.50) per share and twenty-five (25) shares at a cost of two dollars per share, the weighted average cost of these one hundred twenty-five (125) shares is one dollar and sixty cents ($1.60).

Yield: The earnings returned annually divided by the purchase price on an investment, expressed as an annual percentage.