

INVESTMENT AND BANKING POLICY OVERVIEW

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Purpose

- ◆ Provide an overview of District cash & investments
- ◆ Informational overview of the District's investment policy including recommended changes
- ◆ Seek Resolution approval

Cash & Investments

- ♦ \$358 MM Cash & Investments, \$356 MM Invested – 7/30/08
- ♦ 350 internal Cash Accounts
- ♦ Funds Summarized (As of 6/30/08)-
 - Bond Related- \$134MM
 - Revenue- \$74MM
 - Reserve/Reserve and Contingency Funds- \$93MM
 - Construction- \$71MM
 - Other- \$3MM

Resolution Action

- **Sect. 1- Approve the Investment & Banking Policy**
- **Sect. 2- Surety Bond & Insurance**
 - ▣ Provides an official bond of \$250,000 for the Treasurer to manage and disburse funds
 - ▣ Provides crime coverage protection for the District against employee theft, forgery and misc coverage
- **Sect. 3- Designation of Banks**
 - ▣ Authorizes the Washington State Qualified Public Depositories for District deposits

Resolution Action - continued

□ **Sect. 4- Disbursement of Funds**

- Designates staff with joint authority to withdraw funds or pay obligations (Treasury Staff)

□ **Sect. 5- Issuance of Warrants**

- Designates staff with joint authority to issue warrants as an obligation of payment (Audit and Accounting Staff)

□ **Sect. 6- Access Safe Deposit Boxes**

- Designates staff authorized to access the safe deposit boxes - used primarily for IT back up tapes

Resolution Action - continued

- **Sect. 7- Issuance of Workers' Compensation Warrants**
 - ▣ Designates Third Party Administrator staff with authority to issue warrants on District's behalf
- **Sect. 8- Suspension of Payment Authority**
 - ▣ Treasurer or CFO with GM approval can suspend Disbursement of Funds and Issuance of Warrant authority if deemed in the District's best interest
 - ▣ If such action is taken, a report would be provided to the Board

Resolution Action - continued

□ **Sect. 9- Bank Changes**

- ▣ Treasurer or CFO with GM approval may remove funds and property from a designated bank if such funds are deemed to be at risk
- ▣ If such action is taken, a report would be provided to the Board

□ **Sect. 10- Conflict**

- ▣ If this Resolution and Schedules conflict with any bond resolution, that bond resolution will take precedence.

Investment and Banking Policy

Schedule 1

- ♦ Policy
- ♦ Scope
- ♦ Standards of Care
- ♦ Objective
- ♦ Delegation of Authority
- ♦ Ethics & Conflict of Interest
- ♦ Authorized Financial Dealers & Institutions
- ♦ Authorized Investments
- ♦ Safekeeping & Custody
- ♦ Diversification
- ♦ Maturities
- ♦ Risk, Risk Profile & Mitigation
- ♦ Internal Control
- ♦ Performance Standards
- ♦ Written Contracts
- ♦ Reporting
- ♦ Investment Policy Adoption

Investment and Banking Policy

Schedule 1

- ♦ **1.0 Policy:** invest public funds in accordance with investment objectives and State statutes while meeting District cashflow needs
- ♦ **2.0 Scope:** applies to all financial assets to include revenue funds, bond funds, construction funds, reserve and contingency funds and other special funds
- ♦ **3.0 Standards of Care:** investment officers acting in accordance with policies and procedures are relieved of personal responsibility for credit and market risk

Investment and Banking Policy

Schedule 1

- ◆ **4.0 Investment Objectives**

- **Safety:** Safety of principal
- **Liquidity:** Cash available to meet “reasonably anticipated” cash requirements
- **Maturity:** Purchase investments with intent to hold them until maturity
- **Yield:** Maximize return

Investment and Banking Policy

Schedule 1

- ♦ **5.0 Delegation of Authority:** Treasurer is responsible for the management of funds, however delegation to staff is acceptable
- ♦ **6.0 Ethics and Conflicts of Interest:** Employees involved in investing shall refrain from personal activity that could conflict with District investing

Investment and Banking Policy

Schedule 1

- ◆ **7.0 Authorized Financial Dealers and Institutions:**
 - ◆ Financial institutions must be approved by the Washington State Public Deposit Protection Act
 - ◆ Broker/Dealers include Federal Reserve Bank recognized Dealers or members of the National Association of Securities Dealers that qualify under the SEC Uniform Net Capital Rule
 - ◆ Annual financial statements or equivalent are on file and reviewed for credit worthiness

Investment and Banking Policy

Schedule 1

- ◆ **8.0 Authorized Investments**
 - Treasury Notes & Bills
 - Agency Notes & Bills (FNMA, FHLB, etc.)
 - Commercial Paper
 - Repurchase Agreements
 - Savings Deposits
 - State Investment Pool
 - State & Municipal Bonds
 - Certificates of Deposit
 - Other

Investment and Banking Policy

Schedule 1

- **9.0 Safekeeping and Custody**
 - Securities will be held by a third party custodian designated by the Treasurer, with the exception of locally purchased Certificates of Deposit, which confirmation of such will be held by the District Treasurer's office.

Investment and Banking Policy

Schedule 1

♦ 10.0 Diversification

<u>Investment Type</u>	<u>Portfolio</u>	<u>Issuer</u>	<u>Portfolio</u>	<u>Issuer</u>
US Treasury Securities	100%	100%	100%	100%
State LGIP	10%	N/A	100%	100%
Government Sponsored Agencies	30%	10%	100%	50%
Bankers Acceptances	30%	\$5 MM	30%	\$5 MM
Commercial Paper	25%	5%	25%	5%
Certificates of Deposit	50%	10%	10%	10%
Mutual and money market funds	10%	10%	10%	10%

Aggregate of commercial paper and banker's acceptances not to exceed 35% of portfolio.

Diversification Continued

- In the current portfolio make up, agencies exceed the new proposed limits.
- It is the intent of the District to hold investments to maturity. Any new investment purchase will be in compliance with the new limits or other investment agreements.
- It is estimated that agencies would be in compliance with the new policy limit in 2009.

Effects of New Limits

- Risk mitigation
- About \$100MM will be shifted to non-agency investments.
- If invested in Treasuries, which the current approximate spread is 50 basis points, the lost interest is \$500,000/yr.
- With increased Certificate of Deposit limits, which are protected by the Public Deposit Protection Act, more funds can be invested locally and current rates are favorable

Investment and Banking Policy

Schedule 1

- ♦ **11.0 Maturities:** matching investments with anticipated cash flow needs, maturities generally will not extend past 5 years
- ♦ **12.0 Risk, Risk Profile and Mitigation:** explains how the District will mitigate credit risk, custodial credit risk, credit concentration risk, interest rate risk and foreign currency risk – GASB 40 requirement
- ♦ **13.0 Internal Control:** controls are in place and monitored to prevent the loss of public funds

Investment and Banking Policy

Schedule 1

- ♦ **14.0 Performance Standards:** investment portfolio will be benchmarked against the 3 month T-Bill
- ♦ **15.0 Written Contracts:** required for banking services, custodian services, repurchase agreements, and other investment agreements

Investment and Banking Policy

Schedule 1

- ♦ **16.0 Reporting:** quarterly reporting required within 60 days of the end of each quarter and 150 days of the end of the year
- ♦ **17.0 Investment Policy Adoption:** policy is adopted by the Board of Commissioners and reviewed on an annual basis

Schedule Changes

- **Schedule No. 2** Designated Banks for Deposit/ Custody and Safekeeping
 - ▣ Remove NCW Bank from list due to merger with Banner Bank
 - ▣ Add Sterling Savings, a Spokane, WA based bank
 - ▣ Name change from The Bank of New York to The Bank of New York Trust Company, N.A.
- **Schedule No. 3** Authorized Signators for Disbursement of Funds
 - ▣ Due to staffing changes, remove Kevin White and Jayme Mitchell; added Sarah Hale, Brian Bjorklund, Jenna Bellamy, and Nathan Townsend

Schedule Changes

- **Schedule 4** Authorized Signators for Issuance of Warrants
 - No changes
- **Schedule 5** Authorized Access for Safe Deposit Boxes
 - Due to staffing changes, remove Kevin White and Jayme Mitchell; added Sarah Hale, Brian Bjorklund, Jenna Bellamy, and Nathan Townsend

Schedule Changes

- **Schedule No. 6** Authorized Signators for Issuance of Workers' Compensation Claim Warrants
 - The third party administrator will change on September 1, 2008 from Nova Pro Risk Solutions, LP to Berkley risk Administrators Company, LLC



Questions